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China Report

ECONOMIC AFFAIRS

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HK290215 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 85 pp 27-30, 34

[Article by Zheng Hongqing [6774 3163 1987] of the State Restructuring of the Economic System Commission: "It Is Imperative That Control Modes Be Changed" --first draft completed May 1985 and second draft completed August 1985]

[Text The modern national economy is an organic entity of macroeconomy and microeconomy. The key to coordinating the overall national economy and brining about operations of high efficiency lies in harmoniously linking up and uniting microeconomic actions and macroeconomic goals. This linking and unifying cannot be achieved simply by relying on spontaneous regulation by the market. It is essential to have certain control modes as integrated links. In order to accord with the innate requirements of the planned, commodity economy, it is imperative that we change from the situation where we mainly rely on direct control of microeconomic activities to one where we mainly rely on indirect control.

In essence, economic control modes are not subjective categories. Rather, they are specific organic, component parts of the patterns of economic movement. The differences between various patterns of economic movement are mainly manifested in the economic decisionmaking structure and motivation structure, the patterns of economic relationships, and the modes of control (or regulation). The economic control modes are also determined by the three preceding aspects.

For a long period in the past, our nation had a product economy marked by natural economy characteristics. Its decisionmaking structure was highly centralized. The state not only held decisionmaking power in respect of the macroeconomy, but also directly managed the majority of the microeconomic activities. The enterprises were in a passive position with no power. The motivation structure was external. Socialist material interests were negated in principle as distribution according to work was replaced by eating from "the same big pot." Regardless of whether one achieved successes in operations or made losses, whether one was diligent or lazy, no one was given appropriate economic rewards or was subject to appropriate economic penalties. Enthusiasm and initiative were inevitably destroyed and economic operations could only rely on external administrative strenght. Economic relationships were subject to vertical blockades. All sorts of economic activities were

organized from top to bottom on the basis of a department or region's administrative system. Enterprises were confined within narrow bounds by departmental and regional deivisions. They thus found it difficult to develop, through the market, the horizontal relationships essential in a commodity economy. All of these points determined that the state would inevitably control microeconomic activities and could adopt direct control methods; that is, control was realized by having mandatory planned targets handed down to enterprises and through administrative orders. Although this mode of control, in form, linked up the microeconomy and macroeconomy, it did so at the expense of the vitality of the enterprises. Thus, it inevitably led to the ossification of social economic activities and to low efficiency.

The patterns of movement in a planned commodity economy are completely different. Its decisionmaking structure is relatively decentralized. The state only manages major policies, while microeconomic decisionmaking power is given to enterprises. Enterprises change from being administrative appendages to being relatively independent commodity producers and operators. Its rotation structure is internal. The interests and social reputation of the enterprise and its laborers are closely linked with operating results and labor contributions. This is of great importance in increasing profits, and becomes the source of motivation in developing the economy. The economic relationships are horizontal and open. The administrative barriers between departments, regions, and cities and between different ownership systems are all dismantled and competition between enterprises, where the superior prosper and the inferior are eliminated, is developed. Also, economic and technological cooperation is widely carried out, the various production factors can flow and be organized through the market, and multitudinous horizontal relationships increase daily. In brief, the development of commodity money relations cause the roles of the law of value and market mechanism to greatly increase. People's autonomy and choice also clearly increase and economic life becomes much more complex. In this situation, it becomes increasingly difficult for the state to exercise direct control over enterprises and this demands a change to indirect control.

The actual contents of indirect control do not involve setting down stipulations in respect of the production operations of individual enterprises, but rather are focused on overall control, structural regulation, and creating an environment for fair competition between enterprises. Specificially, the major aspects are: 1) Strengthening management of total supply and total demand in society (the key lies in restricting excessive demand), maintaining a dynamic balance between the two and facilitating a buyer's market where supply is a little in excess of demand. This is a prerequisite for the full development of normal competition. 2) Setting down industry, technology, and regional development policies, and adjusting economic parameters (economic levers) in accordance with these, as well as guiding enterprise production and investment direction, and pushing the production structure, technical structure, and regional deployment toward rationalization. 3) Using economic measures to eliminate as far as possible those non-operational factors which affect the enterprise's profits. At the same time, there should be set down in law limits within which economic entities can act, and basic

principles for handling all sorts of relationships. This is a necessary condition for developing fair competition and for enlivening the microeconomy. In brief, control is not the aim. Rather, this control serves to better bring economic vigor into play. The merit of indirect control lies in that it is unitary guidance planning. Because it is "detached" and highly elastic, it is beneficial to bringing enterprises onto the track of planning and policies, and to linking up and unifying the microeconomy and the macroeconomy. In addition, it opens up a wide scope for bringing into play the subjective initiative of enterprises.

Here, it must be pointed out that taking indirect control as the main factor does not exclude or do away with direct control modes. In fact, such modes cannot be abolished. In various situations, direct controls have some functions which cannot be taken over by indirect planning. Even under the capitalist system, direct controls are often used. In a socialist economy which is based on public ownership, the range of its roles can be expanded a little. This point does not need special attention only in a period when there is a change from an old system to a new one. Even in reform aims, direct control methods should be given their due position.

In the transformation of economic control modes, we cannot just stop at theoretical analysis. We need to proceed from actual economic life, and further understand its necessity and urgency.

Through the reforms since the 3d Plenary Session of the 11th CPC Central Committee, our nation's rural economic structure has undergone a basic historical transformation. The cities are also in the process of rapidly changing from the old traditional system to the new system and a series of changes of far-reaching significance has already occurred in social and economic life. The scale of direct decisionmaking and direct management by the state has decreased and enterprise autonomy has continued to expand. Following the wide implementation of the responsibility systems and the initial reforms of the systems of distribution, the "big pot" has been battered and profit motive has become increasingly important in the activities of enterprises. The high tide of opening up both internally and externally is in the ascendant. City markets which have been closed for many years are gradually being opened, and horizontal relationships are growing daily more frequent and more lively. These deep-going changes taking place in this period of structural transformation are having effects in many aspects. First, they have resulted in the swift release of the great strengths of the masses which have been latent for so long. The natural economy has begun to glow with life and vigor. This has promoted a great growth in social wealth and the state's financial situation has taken a swift turn for the better. From 1979 to 1984, national income grew at an average 7.2 percent. This was over 100 percent higher than the average annual growth rate over the 1953-78 period. It is estimated that in 1984, financial income was over 20 billion yuan. This is unprecedented. On the basis of the development of production, the people's lives have also clearly improved. However, the increase in enthusiasm on all sides can easily give rise to an "overheated" situation in economic development. At the tendency to expand investment and the pressure of increased consumption become stronger, it will lead to an excessive growth of

total demand. What is particularly worthy of attention is that the reforms have caused various economic activities to brgin to break through the unitary patterns of the old system, and a complex picture of diverse forms, diverse channels, many layers, and interlocking horizontal and vertical relationships has appeared. The number of indefinite factors has increased and the "transparency" has decreased. This has greatly increased the difficulties in exercising macroeconomic control.

At the present stage, transitional direct control methods are becoming less efficacious and they are unable to accord with the new situations and new changes. However, the new indirect control methods have not yet been established. In this situation, it is very easy to lose control in various aspects. For example, as there are difficulties in curbing the excessive growth of investment demand and consumption demand, the amounts of credit provided, the amounts of currency issued, and the scale of imports have grown wildly, leading to tight supply in the market. Prices have shot up and foreign exchange income and expenditures have become unbalanced. Under the double stimulation of seeking increased speed of development and seeking short-term benefits, blind production and duplicated construction have grown continually. The long standing abuses of seeking quantity, disregarding quality, and ignoring technical transformation and the development of new products has become increasingly serious. This is particularly disadvantageous to the raising of the levels of science and technology and to the rational readjustment of the industrial structure. In fact, since the fourth quarter of last year, the above-mentioned problems have been very clearly seen. Also, this year, we have seen further big steps in price reforms and wage system structural reforms have commenced. In the short term this will probably promote the situation where overall demand exceeds overall supply. These unstable factors in economic development are urgently awaiting resolution. To this end, the state has adopted a series of measures. Many of these have been of a direct control nature. Although this was necessary, the results have not been completely ideal. Some were effective for a while, but did not last, while others even gave rise to new problems. All this shows that we must strengthen the ability of the state to control the economy. At the same time, if we are to maintain the situation of healthy development, we must quickly change from mainly using direct control methods to mainly using indirect control methods. This is a pressing task which has been placed before us by the practice of economic development and structural reforms.

How then are we to use and fully bring into play the roles of indirect control? How will we strengthen the actual ability of the state to control the economy, with only indirect control of the microeconomy? Theory and practice both show us that this requires the establishment of a complete system of control and regulation. This will allow us to handle well the internal structure of indirect control modes and will fully bring into play the overall functions of control and regulation.

The state's economic development guidance plans, especially the medium- and long-term plans, hold a leading position in indirect control modes. These set down the strategic goals and strategic focuses in social and economic development, plan the industrial structure and the deployment of the

productive forces, formulate major economic and technical policies, and control the overall scale and direction of investment and the degree to which people's lives are to be improved. This provides the basic foundation for correctly using the various control and regulatory measures. Although the tasks set down by the state's medium-and long-term plans are not directly handed down to enterprises, in the end they are implemented through the actions of enterprises. The role of economic regulatory measures lies in guiding the direction of enterprises' actions, so that as far as possible they coincide with the requirements of the plans, and in this way link up the macroeconomy and the microeconomy. Annual plans should be changed from the situation where excessive material targets are handed down to one where stress is placed on the rational allocation of national income. First, we must arrange well the general accumulation and consumption situation, so that increases in investment and expenditure of a wage nature form an appropriate ratio with the overall increase of national income. We must certainly avoid continued, large-scale "excessive allocation" in a money form. We must look at the question in terms of the whole society, formulate comprehensive investment plans, comprehensive financial and credit plans, and comprehensive plans in terms of international income and expenditure. This will be beneficial in achieving overall balances in terms of finance, credit, the market, and foreign exchange. In addition, in order to allow overall plans for the allocation of national income to be laid down, it is perhaps necessary to set down general stipulations in respect of the percentages of national income and financial income to be used for national defense, cultural, education and health undertakings, social welfare, and administrative expenses. When these general quantitative limits are included in the plans, it will form invisible "baskets" and, in using economic levers for regulation, it will be necessary to accept their restrictions. From this we can see that the direction and degree of economic regulatory measures are under the guidance of state plans, and they must serve the realization of major social and economic development goals. This thus embodies the essential requirements of a socialist planned commodity economy.

Using financial policies and banking policies in an interlinked way, and fully bringing into play the regulatory role of tax and credit is where the crux of indirect control modes lies.

For a long period, in our country demand has been excessive and has exceeded the actual supply capabilities. This has been damaging to macroeconomic balance and disadvantageous to the enlivening of the economy. We should thus take the strengthened management of social demand as the primary policy goal. Also, all funds used in investment and consumption through various channels are, in the end, derived from the two avenues of financial expenditure and credit. Through regulating the scale of financial income and expenditure and through controlling the amounts of credit and the amount of currency issued, we can have control of the sluice-gates of social demand, and actively regulate it. Thus, we can bring about a basic balance between this demand and total social supply, and attain the goals of stable currency and prices and the healthy development of the economy. Seen from the long term, the role of banks in this respect will be greater than at present. This is because, following the development of production and the deepening of the

reforms, enterprises' deposits and individuals' savings will both increase greatly. Thus the growth of banks' funds will certainly be faster than the growth of financial departments' funds. Accordingly, the proportion of financial department funds used directly in production construction will inevitably decrease, and investment in a greater number of projects will rely on credit. Thus the tightness or slackness of banks will have a decisive influence on the expansion or contraction of the economy. Banks will thus, in reality as well as in name, become the nerve center in the regulation of the national economy. In order to provide the funds necessary for economic development while guarding against the occurrence of credit inflation, we must firstly strengthen the position and role of the central bank. The central bank, in accordance with the economic growth rate appropriate for each period, the rate of price increases which can be borne, changes in the speed of currency circulation, and other important factors, will formulate plans for the issue of currency and the provision of credit. After these have been examined and approved by the State Council or the NPC, the central bank will then use all sorts of regulatory measures to guarantee their implementation. These measures will include: [word indistinct] the handing over, by specialized banks, of different percentages of their deposits as safety funds. The percentages can be changed as a means of adjusting the slackness or tightness of the banks; establishing credit relationships between the central bank and the specialized banks so that the central bank, through adjusting the rates at which it provides credit to the specialized banks, will be able to influence the interest rates in the funds market; issuing state bonds and allowing within certain limits their discounting, mortgaging and purchase and sale, to promote the transformation of currency into funds; strengthening business guidance, inspection, and supervision over specialized banks by the central bank; and in special situations having the right to adopt coercive intervention measures. Also, it is necessary for the central bank to exercise various types of guidance and quota controls in terms of credit funds.

Macroeconomic control and regulation in the banking system must have, at the microeconomic level, self-regulation mechanisms in grass-roots level specialized banks as its base. This requires that grass-roots level banks be truly run as financial enterprises. On the one hand, they must be given operational autonomy, especially in the use of funds, so that, under the guidance of state planning and policies, they will be able to act independently in providing credit and be able to vary interest rates within certain limits. On the other hand, the grass-roots level banks must establish profit and loss responsibility systems, and take on the risks of bad debts. Business between them may be interconnected, with rates at which discount borrowing of cash can be carried out being set down through agreement, so as to develop beneficial competition. We must firmly break down the concept of there being a "big pot" of funds between banks or between banks and enterprises. This will enliven the use of funds and support the development of production. It will also cause banks to be prudent in their operations, to strictly control credit conditions, and to closely examine an enterprise's sales, financial situation, and the economic and social benefits of its construction projects. This will greatly reduce blindness in the provision of credit.

The control and regulation of financial and banking decisionmaking is not passive and "uniform." Rather it is active and selective. Under the precondition of general control, the planning types of tax and tax rates, the allocation and use of financial funds, and credit conditions and rates should be closely linked with the state's development strategies, industrial policies, technological policies, and regional deployment policies. That which should be encouraged will be encouraged, while that which should be restricted will be restricted. By this means the production operations of- and investment decisionmaking by, enterprises will be correctly guided and the goals of promoting technological progress, improving the industrial structure, and rationally allocating resources will be achieved.

Pricing is another important means of achieving indirect control. As compared with other economic levers, the outstanding characteristic of pricing is that its regulation is bidirectional. When the prices of various types of commodities rise, increased supply is stimulated and at the same time demand is reduced. When the prices fall, supply is repressed and demand expands. This makes it the most sensitive and most effective lever in regulating supply and demand. Of course, the degree of sensitivity and effectiveness is objectively restricted by the fluidity of funds, materials, labor, and other important production factors. That is to say, it is restricted by the degree of completeness of the market system. Only by establishing a free market which includes all the important production factors will labor, materials, and funds be able to move in the directions indicated by price fluctuations and thus be organized anew. Only then will it be possible to achieve a flexible readjustment of the production structure, so that it can accord with changes in the demand structure. Without this condition, producers would find it difficult to respond to price fluctuations, which could easily lead to price rises of a structural nature. The important position of pricing in indirect control modes lies not only in its own intrinsic regulatory mechanisms, but also in the fact that it forms the base on which various other economic regulatory measures are brought into play. If the pricing system is not rational, the efforts an enterprise puts in and the results it achieves will not be fairly evaluated in the prices of its products. The use of levers such as tax, credit, and wages will lose their basis and will be greatly restricted. In some situations where things have been distorted, they may even play an "antiregulatory" role, and run counter to macroeconomic goals.

One view holds that pricing should be completely freed. It holds that for the enterprises, prices are only an independent indicator which reflects the value of the goods and their degree of scarcity, and that they cannot be used by the government as a means of regulating the economy. This view has a certain amount of logic. When compared with taxation and credit, the spontaneity of pricing regulation certainly requires strengthening. This will be especially so in the future, when the pricing of the majority of commodities and services will be freed. However, it must be recognized that under the conditions of a socialist planned commodity economy, prices cannot and should not be completely free. In order to maintain the stability of economic development and people's lives, the state must not only use financial and banking measures to regulate the overall level of prices,

but needs also to intervene to different degress in the pricing of various products and services. Regardless of whether we speak in the short term or in the long term, the degree to which prices are consciously managed and used will undoubtedly be far greater than that in a free market economy. Speaking overall, pricing will, from beginning to end, be an important lever for the state in regulating the economy.

Indirect control requires not only economic measures. It particularly needs legal measures (economic measures are often realized through legal measures). We should systematize and standardize the range of action of economic entities and the basic principles guiding various economic relationships, set them down in a legal form so as to form a complete system of laws and regulatoins, and truly replace the "rule of men" by the rule of law. This will be an indication of the maturation of indirect control modes. If we say that regulation by economic levers is elastic and allows enterprises to respond of their own accord, then regulation by economic laws and regulations is rigid and must be acted upon. Regardless of whether we speak of the manager or the managed, all must act within legal limits and must strictly fuflill their legal responsibilities, rights, and obligations. On the one hand, this will avoid the situation where government departments use their power to indiscriminately interfere with enterprises. On the other hand, it will prevent inappropriate competitive methods, and protect the legal rights and interests of the state, enterprises, and consumers. At present, we must urgently hasten the process of economic legislation. All relatively mature, important principles which accord with objective economic [word indistinct] which have been tested through practice should be put in order and refined, and, after inspection and approval by the organs of state power, should become formal laws and regulations. This especially is true of important laws and regulations in the overall system of economic laws and regulations, such as tax laws, banking laws, wage laws, planning laws, statistical laws, company laws, enterprise laws, commercial laws, contract laws, and so on. These need to be formulated and perfected as quickly as possible. Once there is a law, it must be strictly enforced. It cannot be arbitrarily "adapted." If there are laws and they are not complied with, or if the application of laws is not stringent, or if transgressions of the law are not followed up or are followed up only half-heartedly, the serious nature of law will be lost and laws will exist only in name. This can be more dangerous than having no laws. Thus we must greatly strengthen economic legislation and economic inspection work. It is proposed that supervisory departments be established to specially manage the supervision of the enforcement of these laws. In courts at various levels, we should setup economic tribunals, and in urban areas should establish legal service offices to provide legal consultative services for enterprises and individuals. The most important thing is that, out of the whole population, we should first provide cadres at all levels with systematic education in law. In this way, legal knowledge can be disseminated and legal concepts established. This will foster the habit of respecting and adhering to law and discipline, and will ensure that firm struggle is carried out against actions which break the law or violate discipline at any leve. In this way, it will be possible to establish a fine socialist economic oreder and it will be possible to guarantee the smooth implementation of systems reforms and economic construction.

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REPORT ON SCIENCE, TECHNOLOGY IN YEAR 2000

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[Article by Yang Weizhe [2799 4850 0772] and Gan Shijun [3927 1597 0193] of the "China's Science and Technology in the Year 2000" Research Group: "China's Science and Technology in the Year 2000"--passages within slantlines published in boldface]

[Text] Strategy for Development of Our Country's Science and Technology

In studying the concrete strategy for the development of our science and technology up to the end of the century, we must take two fundamental presumptions into consideration:

First, ours is a developing country with a population of 1 billion. It has established an industrial base on a fairly large scale, but its target of industrialization has not yet been achieved. Our traditional technology and industrialization has not yet been achieved. Our traditional technology and industry still call for great development.

Second, the booming new technological revolution in the world will produce a great impact on the development of our country. This has provided our country with an opportunity to directly exploit the latest world scientific and technological achievements, skip over certain stages of development, and quicken the pace of modernization. It also poses a serious challenge to our country.

To realize industrialization and to usher in the challenge of a new technological revolution is a two-in-one strategic task for our scientific and technological development up to the year 2000. Therefore, to correctly settle on the priority areas of development and properly handle the relationship between traditional technology and high technology is a strategic choice that must be made in our science and technology.

This calls for coordinated scientific and technological and socioeconomic development, and for treating science and technology as part of the whole massive system. Generally, we must put the emphasis on the development of traditional technology, but at the same time, we must pay great attention to the development of high technology. We must form a complex technical

system that allows the simultaneous development of traditional technology and high technology, the close combination of imported technology and domestic technology, and the coexistence, at various levels, of technologies developed to different stages.

In light of this development strategy, we project the development of our science and technology in two stages within the century.

The first stage involves the energetic development of traditional technology and industry in the period of the Seventh 5-Year Plan and in the first part of the Eighth 5-Year Plan, and also the use of high technology--chiefly microelectronic technology--in reforming traditional technology and industry.

The second stage calls for combining the continuous development of traditional technology and industry with the accelerated development of high technology in the latter part of the Eighth 5-Year Plan and in the period of the Ninth 5-Year Plan. Particular attention is to be paid to the integration of high technology and traditional technology.

Our program of action for development up to the year 2000, concretely speaking, chiefly covers the following six aspects:

/1. To introduce the open-door policy and strengthen the importation of technology is an important guideline for accelerating our scientific and technical development./

The greater part of practical research and technological exploration being carried out by our country at present is fundamentally still of an imitative nature. Therefore, within the century and for a number of years into the early 21st century, for the important technology required in the development of our national economy we should liberally import and absorb advanced foreign technology. The importation of technology is to be counted upon to stimulate scientific and technical work at home and to improve our existing technical state. Accordingly, in scientific research work, we should change the practice of researching and manufacturing given items from beginning to end and seeking the production of everything in China. We should instead shift the focus of technical development and certain practical research work to the road that allows the assimilation and absorption of imported technology and the improvement of the technical capacity for creating the new.

/2. We must uphold the guideline calling for the technical transformation of existing enterprises./

The technical transformation of more than 6,000 large enterprises, 400,000-plus medium-sized and small enterprises, and several million town and township enterprises now in existence will impose a large number of scientific and technical tasks on science and technology. We must avoid the trend of science and technology being detached from these main tasks in one-sided

pursuit of separate development. We must also guard against the trend of technical transformation being prompted by the sheer pursuit of simple expanded production capacity, to the neglect of an improved technical level.

Using high technology to transform traditional industry is an important part of technical transformation. Generally speaking, four relevant tasks are involved:

We must use electronics and information technology to transform energy, communications, telecommunications, and other fundamental social facilities and improve the level of management and the quality of people's lives.

We must use mechanical and electronic technologies to transform our manufacturing industry.

We must use biotechnology to raise the levels of our agriculture, food, medicine, and so forth.

We must energetically develop new materials technologies, with development efforts including the creation of areas of application for new types of materials. This is to serve engineering, energy, electronics, communications, and other industries.

/3. We must pay great attention to the development of high technology and establish new industries in good time./

Within the century, our country cannot possibly establish an overall system of new industries being linked up to form a whole. We can only be selective and seek development with emphasis.

There are three contemporary groups of industries being developed with emphasis abroad:

Microelectronic industries;

New Materials industries;

And Biotechnological industries.

For the remainder of the century, our country will focus on the development of the first new group of industries and pay particular attention to the development of integrated circuits, computers, telecommunications technology, and so forth. New materials form the basis of high technology and should also be given priority in development on a selective basis. Certain aspects of biotechnology possess superior features in our country and can form part of a new industry. But the overall development of biotechnology is expected to take place in the 21st century.

The second echelon of technical development calls for combining the strategic priority of national economic development with certain priority areas of development, including technologies in such fields as agriculture, energy, communications and transportation, raw materials, engineering, consumer goods, and so forth. In this century, these technologies will constitute the core of our technical system.

The third echelon of technical development will involve other areas of high technology that provide "logistical" support for economic and social development, areas including biotechnology, new materials, nuclear technology, space technology, new energy technologies, lasers, remote control, superconductivity, and other new technologies.

The establishment of these vanguard technologies and technological echelons will represent the fundamental pattern for the development of our science and technology up to the year 2000.

/5. Based on different features and different technical levels, we must form technical structures at different administrative levels and pay attention to imbalances in regional development./

From southeast coastal areas to Northwestern China, our scientific and technical levels form a series of steps leading downward. During this century, they can be divided into several levels for development.

The special economic zones and the 14 coastal cities must speed up the development of new technology and high technology and gradually extend such development to various coastal provinces.

Central China must focus on the development of traditional industry and technology and gradually form a complex trechnical system combining high technology with traditional technology.

On the basis of third-line construction, southwestern areas must form a system of technologies developed to various levels that the areas themselves link up to form a whole.

Western areas that are relatively backward economically and scientifically should start with the development of certain important resources in economic and technical development and pay attention to strengthening the popularization of science and technology.

/6. We must pay great attention to development-realted research and energetically develop appropriate technologies./

For those scientific research projects that can produce results in 5, 10, or eve 20 years to increase social productivity, the state should render all possible support.

Meanwhile, we must strengthen fundamental research, especially fundamental research with a fixed direction that promises inventions of great use. We

We must strive to achieve advanced world levels and to wrest world "gold medals" for science and technology.

But in the near future, we must energetically develop and rapidly popularize certain technologies which cover a wide field and which can be converted directly into productivity in a short period of time. We must bring science and technology to the countryside and serve the revitalization of the local economy.

Encouraging Prospects for Development

In the year 2000, the basic characteristics of our science and technology will be: The initial realization of the transition toward modernization; the transition from a closed to an open type; the transition from an imitative to a creative type; the transition from a purely research type to a reseach and operating type; and the transition from deviation from society and the economy to development in harmony with society and the economy. In the language of science and technology, our science and technology will transit from a solid state to a malleable state. That is to say that, through reform and through opening up to the outside world, the scientific and technical front will change its state of inflexibility and absence of life and enter instead a period of great development that is packed with life and vitality.

What picture will our science and technology present in the year 2000?

/First, our science and technology will undergo fundamental changes./ The reform of the economic system will bring vitality to our economy. A planned commodity economy will allow competition and will enable the economy to impose strong, built-in demands on science and technology. With technical commercialization as a breakthrough, science and technology will be consciously oriented toward economic construction. With changes in the system of fund appropriation and the growth of the technical strength of enterprises, our country will gradually form a new scientific and technological system inseparable from the social economy.

/Second, the social concept of the value of knowledge will also undergo fundamental changes./ Society will realize the extremely important role of knowledge in creating wealth. Therefore, as carriers of knowledge, scientific and technical personnel will command the widespread respect of society. Their role will be brought into full play. Our scientific and technical front will be especially marked by a reduction in the average age of its composition. A number of 30-or 40-year-old professors and experts and a number of middle-aged and young high-level scientific and technical personnel in charge will be active on our scientific and technical stage.

/Third, by the year 2000, our country will fundamentally complete the task of industrialization. Traditional technology and industry will tend to be mature. High technology and new industry will begin to be an important factor in the development of the national economy./

It is expected that our country will have a technological foundation or level much higher than at the initial stage of Western industrialization. For example, modern information technology will raise the efficiency of our fundamental social structure. Our manufacturing industry will be armed with combined industrialization and electrification. The development of new materials science and technology will change the production and technical structures of our raw materials and even energy.

/Fourth, there will be a marked improvement in our scientific and technical levels./

The scientific level. This finds its chief expression in the levels of scientists and the state's capacity for scientific creation.

In the year 2000, as far as fundamental and practical [word indistinct] is concerned, our country will have a number of scientists measuring up to world levels. In certain aspects of such fields as mathematics, astronomy, biomechanics, geoscience, and so forth, we are likely to stand in the forefront of the world. In certain engineering-related sciences, such as information science, materials science, microelectronics, photoelectronics, electromagnetic field theory, machine-building, and so forth, there will be great development. There may also be breakthroughs in certain limit technologies, such as superhigh pressures, ultralow temperatures, superconductivity, extreme purity, and so forth.

The technical level. Our composite technical capacity or level is expected to reach the level of developed countries prevailing toward the end of the seventies and in the early eighties. It is likely to reach the level of the nineties in some aspects of certain areas, such as the petroleum industry, petrochemistry, mechanical technology, and microelectronic technology.

Our country's science and technology will increase it competitiveness where the economy is concerned. Mechanical, electrical, and petrochemical products, new materials, photoconductive fibers, laser machinery, and technology-intensive products like color TV sets, electronic sewing machines, and so forth will account for quite a large percentage of our industrial output value. Certain products possessing superior features in such fields as the light textile industry, handicrafts, mining, the food industry, and so forth will have relatively great competitiveness in the world. The development of our special economic zones and the 14 coastal cities is likely to enable our country to use directly more advanced foreign technology. Thus, we can relatively quickly increase our competitiveness and improve our foreign trade.

/Fifth, our countryside will provide an extremely broad and strong market for the development of science and technology./ Toward the end of the century, our agricultural front will have undergone earthshaking changes. A brand new kind of three-dimensional and comprehensively developed mass agriculture will appear in the vast territory of our country. Meanwhile, several hundred million peasants will leave the fields but not the countryside, switching from crop-planting to various trades. There will appear the

greatest readjustment of the industrial structure in the history of our country. Science and technology will constitute the most dynamic and lively factor in this great movement. In the year 2000, our countryside will have several million town and township enterprises. They will not only handle traditional industries, such as agricultural and side-line-product-processing industries, the construction industry, the food industry, transportation, mining, and so forth, but will also launch extensively in the countryside biotechnology, microelectronic technology, and other high technologies and new industries.

/Sixth, our science and technology will be further fully opened up, and international scientific and technical cooperation will be further strengthened./

At the end of the century, our scientific and technical front will have ever more frequent exchanges with international scientific and technical circles. Our country will get involved in a series of international scientific and technical cooperation projects, and especially certain areas of highly advanced technologies and important sciences, such as new computers, genetic engineering, energy technology, space technology, oceanic exploration, nuclear fusion research, and so forth, and also software fields, such as scientific and technical development strategy, systems analysis, and so forth.

Historical experience shows that like various other undertakings of our country, our science and technology develop very quickly under normal circumstances. Despite difficulties and hazards likely to obstruct the road of advance ahead, the spiritual shackles long restricting the scientific and technical front have been smashed. Spring has come for science. So long as we advance along the road pointed out by the party, our science and technology can surely join the ranks of advanced countries in the world and make the proper contributions of the Chinese nation to mankind!

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CSO: 4006/409

RESEARCH REPORT ON NATURAL RESOURCES IN YEAR 2000

HK020849 Beijing JINGJI RIBAO in Chinese 13 Nov 85 p 3

[Article by Chen Qi [7115 3825] of the "China's Natural Resources by the Year 2000" Research Group: "China's Natural Resources in the Year 2000"--passages within slantlines published in boldface]

[Text] Natural resources are the material base on which mankind depends for existence and development. The use of natural resources can be summarized in the following two aspects: One is their use as raw materials in the development of production, the other is the protection of the environment and the maintenance of the ecological balance. The development of material conditions and the raising of people's living standards in a country or in an area are directly or indirectly related to the way in which natural resources are utilized in these two aspects.

I. The Characteristics of China's Natural Resources

1. Our country has a vast expanse of land. Geological conditions and climate vary tremendously and population and natural resources are distributed very unevenly. Generally speaking, the conditions of light, heat, water, and soil, which have a direct bearing on agricultural production, are fairly good. Our country has numerous mountains which cover two-thirds of its land, with a great disparity in the height of the physical features between the east and the west. Transport conditions in our country are poor because there are very few rivers running from south to north. Moreover, our water resources are distributed very unevenly, with 80 percent of them mainly distributed in the Chang Jiang basin and some areas to the south of it. In China, rainfall is concentrated in a particular period of the year, and this is liable to bring about heavy flooding and drought in some areas. Meanwhile, the distribution of mineral resources is also uneven. Deposits of iron ore which indicate fairly good prospects are mainly located in the Liaodong peninsula, eastern Hebei, Panxi [2372 6007], and the middle and lower reaches of the Chang Jiang. The state of affairs in which extracted coal has to be sent from the north to the south and extracted phosphorus from the south to the north will continue over a long period of time. These characteristics of our natural resources create imbalances in the social and economic development of our country.

2. Our natural resources are abundant. However, if they are calculated on a per capita basis, their amounts are small. For example, the hydroelectric power potential of all Chinese rivers is estimated at 680 million kilowatts, placing China first among all countries in the world. In addition, the 45 major mineral resources already verified in China are estimated to have a potential value of U.S.$11,000 billion, ranking third in the world. However, if this is estimated on a per capita basis, the level of our natural resources is well below the world average.

3. The natural resources of our country are mostly not of high quality.

4. There are great advantages and great potential in exploiting and utilizing our natural resources in a comprehensive way. For example, about 4 billion mu of land is available in China for planting trees, 3.3 times the existing forest area; China's polders and shallow sea waters are estimated at about 20 million mu, but only 14 percent are being used at present; and the potential of our offshore petroleum development is very large.

II. The Prospects for Our Natural Resources

Our country has abundant natural resources, whether on the surface, underground, or in the sea. Their deposits entirely enable us through self-reliance to quadruple our industrial and agricultural production by 2000 and to attain the goal of making our people completely well-off. However, these unexploited resources vary in quantity. Surface resources will remain in short supply in the coming 20 years due to the pressure of increasing population. Calculated on a per capita bases, farmland will fall to 1.5 mu by 2000. If we want per capita grain production to reach 800 jin by the end of this century as planned, then an increase in yield of 200 jin of grain per mu annually should be ensured in the coming 20 years. The shortage of water resources will mean a potential crisis in our country. Deficient supplies of water along the Liao He, the lower reaches of the Huang He, in the coastal areas of Shandong, and in some areas in the arid northwest will remain a problem which can hardly be solved in the distant future. Meanwhile, supplies of timber will continue to fall short of demand for a fairly long time to come.

With regard to mineral resources, there are a certain number of new mines which have not yet been exploited in our country. By the end of this century, there are likely to be enough minerals for producing iron and steel, 10 nonferrous metals, nitrogenous, phosphate, and potash fertilizers, and cement, but small amounts of rich iron and copper ores will have to be imported and reserves of a few minerals will not be able to meet the needs of the country. Oil deposits and oil extraction are out of proportion, but the prospects for development are broad.

The potential for developing our marine resources is great. Progress has been made in this field, but the scale is small and the methods of production are not up to date. The work of exploiting some new marine resources is

still in the initial stages. It is tentatively predicted that offshore petroleum development will forge ahead more quickly than other undertakings to explit marine resources within this century.

III. The Policy and Guiding Ideology for Exploitation and Utilization of Our Natural Resources

As for exploitation and utilization of our natural resources, basing ourselves on self-sufficiency in the main, there are some kinds which we have to import or export. Efforts must be made to give full play to our advantages and to open up more sources and regulate the flow. Such a policy gives consideration to the exploitation and utilization of our natural resources in an overall way. On the one hand, we must do everything possible to exploit the existing natural resources and arouse the enthusiasm of the state, the collective, and the individual to open up all workable mines, either large or small, in order to achieve immediate better economic results; on the other hand, we must strengthen managerial work to diminish waste in exploitation and utilization of natural resources and must develop an economic system that can save natural resources. Meanwhile, we must make full use of our own natural resources and those of other countries. Taking the opportunity when traditional industries of developed countries are at a standstill and are awaiting replacement, and when the situation in which the supply of many primary products exceeds demand may not change for a long time, we can appropriately increase the import of such primary products as timber, grain, and ore. Under the guidance of this principle, adequate attention must be paid to the following eight points in [word indistinct] and utilization of natural resources.

1. /Pursue the opening up policy and increase the volume of import and export of raw and semi-finished materisl./ However, such opening up should be based mainly on self-sufficiency in strategic resources which have a bearing on the national economy and the people's livelihood. Under this condition, we must insist that the total volume of import or export should not be over one-fourth of the volume for self-sufficiency. Considering the fact that on a per capita basis, the level of our natural resources is low, we must increase the export of labor and technology in the future, while appropriately importing more raw and semi-finished materials at a low price.

2. /Great importance should be attached to overall planning for exploitation of land./ Along with the extension of the scale of economic construction, control over converting farmland to other uses should be regarded as matter of great importance vital to the existence of 1 billion people. It is predicted that farmland will be reduced by more than 300 million mu between 1980 and 2000. We must therefore pay great attention to wanton destruction of our space for existence by means of such levers as taxation and laws.

3. /Bring about better results in utilization of natural resources by means of extensive application of modern science and technology./ The limited nature of our natural resources can hardly meet the needs of an increasing population. This question should be solved by means of science and technology.

The only way out for our agriculture is to develop biological technology. China is rich in mineral resources, but they cannot be fully utilized because our in-depth processing industry is not well developed. On this point, it is imperative for us to organize a certain number of people to tackle key problems in this aspect.

4. /Strengthen the work of retrieving natural resources for reutilization./ We must establish a system of recycling natural resources so as to convert waste products recovered from production processes and consumer goods into useful materials and to make full use of them.

5. /Establish a system of appraising natural resources./ By appraising natural resources and calculating their economic value, we should start to collect reasonable fees from the units which use natural resources. The state can regulate utilization and recovery of natural resources by means of such levers as taxation and pricing. Meanwhile, we must set a number of economic indexes reflecting the economic results of our natural resources. This can help the state administrative departments pay close attention to current production and economic [word indistinct] effectively control utilization of our limited natural resources.

6. /A rational distribution of productive forces for exploitation of natural resources./ Natural resources are widely dispersed over our country. This results in uneven distribution of these resources in different parts of the country. Meanwhile, exploitation of natural resources is also restricted by funds, technology, climate, environment, the development of industry and agriculture, and transport conditions. Therefore, in developing the national economy, we have to arrange a rational distribution of productive forces in line with the distribution of natural resourdes and social and economic conditions. From now until the beginning of the nineties, we must vigorously develop the economy along the eastern coast, thus spreading its economic influence to other countries as well as to the interior and western part of our country. In view of the abundant resources in the central part of our country, we must shift the focus of our economic construction to the center from 1990. Meanwhile, there are natural resources in abundance in the western part of our country. We must now step up the prospecting of natural resources there, strengthen afforestation and the building of grasslands, exploit water resources on a rational basis, and develop agriculture and animal husbandry so as to lay a solid foundation for faster development of the economy in the future. In cooperation with the coastal areas, some areas with good natural conditions can develop production which can make full use of local natural resources.

7. /Reform the management structure of natural resources./ There are three obvious drawbacks in the structure of our management of natural resources. 1) The state ownership of natural resources has actually be retained by different departments and areas. This does no good to systematic management and overall exploitation of natural resources. 2) Prices of many primary products are on the low side. This harms the initiative of the relevant departments in exploitation of natural resources and updating and transformation of technology. 3) Gratuitous utilization of natural resources results

in vast waste and unequal distribution of interests. It is suggested that a state committee for natural resources be set up as a decisionmaking organ to control exploitation of natural resources and utilization of land on a rational basis and in a unified way. Meanwhile, we must raise prices of raw and semifinished materials step by step and practice strict economy in utilization of limited natural resources. Based on theoretical [as published] prices, we may raise the prices of scarce resources more than those of others. In view of the characteristic that the balance between supply and demand of natural resources depends on the global scale, we may therefore link the prices of our natural resources with those of the world market. In addition, units which use state-owned natural resources must be charged certain fees, including a tax on the utilization of resources and tax on readjusting [as published] natural resources. The money can be used as funds for the prospecting and exploitation of natural resources. In accordance with the regulations and rules governing paid transfer of technological achievements, this practice can also be applied to some kinds of geological prospecting achievements.

8. /Pay and conditions of workers of departments in charge of prospecting and exploitation of natural resources should be improved./ The intensity of labor of workers engaged in prospecting and exploitation of natural resources is greater and their living and working conditions are hard. They can hardly enjoy normal family life and their children find it difficult to go to school and obtain employment. To overcome these difficulties of theirs, we must establish some relevant regulations and rules in the material and political fields so as to improve their pay and conditions.

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OVERALL QUANTITATIVE ANALYSIS OF PRC BY YEAR 2000

HK050841 Beijing JINGJI RIBAO in Chinese 20 Nov 85 p 3

[Article by Li Boxi [2621 3124 3305], Li Shantong [2621 0810 0681], and Pang Bangxuan [7894 6721 6693] of the [Overall Quantitative Analysis of China by the Year 2000" Research Group: "Overall Quantitative Analysis of China by the Year 2000"]

[Text] The study of "China by the Year 2000" is a long-term, comprehensive, and strategic study concentrating on strategic options and policy analyses. The object of this study is an enormous system including China's economy, science, technology, and all aspects of society. In addition to a wide range of professional knowledge, it also needs the theories and methods of comprehensive subjects [zhong he xue ke 4844 0678 1331 4430]. In our research work, we have extensively adopted the practice of integrating qualitative with quantitative analyses and conventional with modern methods. We also attached particular importance to the application of various modern scientific methods, including systems engineering.

Qualitative analysis is the precondition or basis of quantitative analysis. Only by making a quantitative analysis under the guidance of qualitative analysis is it possible to grasp the heart or essence of the matter. Quantitative analysis is the deepening of, as well as the basis of conclusions in, qualitative analysis. Therefore, it is absolutely necessary to integrate qualitative with quantitative analyses. Compared with qualitative analysis, quantitative analysis constitutes an even weaker link in China's economic study. In the study of "China by the year 2000," we have intentionally strengthened quantitative analysis. In our separate reports we have conducted extensive quantitative analyses to support our studies and we have set up our own mathematical models for most of our separate reports. Moreover, in an effort to make a comprehensive analysis of the mutual relationships between various major factors in China's economic, scientific, technological, and social development, we have made an overall quantitative analysis or an overall systems analysis. The overall quantitative analysis constitutes an important basis of the quantitative analysis in the general report and is a means to coordinate quantitative analyses in various separate reports.

In the overall quantitative analysis, we applied a method of modern systems analysis, a macromodel system consisting of seven models, and computers in calculating numerous optional plans and, on the basis of various simulated policies, put forward our proposals. The seven models are the "model of development strategy and policy analysis," "model of macroeconomy," "model of plans for the coordinated development of population and economy," "model of quantitative analysis of the economic setup," "model of expanded reproduction in two major categories," "model of long-term development trends," and "macroeconomic model for medium and long-term planning." The functions of the models include studies on a comprehensive balance among different branches of the national economy, on economic development strategies and tactics suited to the development of population and based on the relationship between population and economy, and on the general law governing changes in economic setups by comparing China's economic setup with those of other countries; forecasts and analyses of long-term planning in light of the special features of China's planning work; studies on the long-term development trends of the socioeconomic system; and revealing of the internal relationship between the proportional relations between the two major economic branches on the one hand and the growth rate of national income on the other.

Beijing an enormous and complicated system by the year 2000, China cannot be summed up by using a single model. [As received] We use the above-mentioned model system to study and analyze the development prospects of China's socioeconomy from different angles and by different methods and to show the development strategies and policies related to the long-term objective. The model types include those showing econometrics, input and output, optimat, recursion formulas, and systems dynamics. According to the characteristics of their applications, the models can be divided into those showing a comprehensive balance, an overall analysis, a structural analysis, a target system, a scientific and technological progress analysis, and the coordinated development of population and economy. The period covered in the models is generally from 1980 to 2000, while that in the systems dynamic model is from 1980 to 2080. These models contain theoretical mathematics or principles describing the operational relationships and development mechanisms of China's socioeconomy, with the stress on mutual relationships between various quantitative changes, as well as practical quantitative calculations with the stress on practical plans and forecasts and the analysis of practical date. The former stresses our understanding of economic systems and operational mechanisms, while the latter stresses experiments on forecasts and policies and achievement of conclusion data. The former is the basis of the latter, which tests the former. According to the application of data, the models can also be divided into the following types:

1. In studying the totality amount and setup of the national economy and analyzing some policies, we use the practical calculation models. The calculations and approximations are based as strictly as possible on statistical data. However, in electing the mutual relationship of variables and [word indistinct] variables [wai sheng bian liang 1120 3932 6239 6852], this type of model often uses many overcritical hypotheses, which affect the accuracy of calculation to a certain extent.

2. In studying some policy and social issues, some models use relatively convincing, empirical data, such as assessments by experts comparisons with other countries, and typical investigations, and the conclusions are likewise valuable in making quantitative analyses.

3. With regard to major policy issues for which we lack practical data, we have tried, to the best of our ability, to advance some rational hypotheses and to adopt various methods, such as analyses of preconditions, comparisons and analyses of the best circumstances, quantitative analyses, or quantitative analyses of typical examples, toward the models of principles, and the conclusions drawn therefrom are valuable in analyzing the direction of issues or the principal quantitative relationships, which can chiefly be used in analyzing strategies and policies related to reforms.

4. In this set of model systems, some are entireties with minor models operating independently or in coordination with other models; some consist of independent models with different characteristics and functions; some consist of models analyzing important topics; and some consist of models showing long-term development trends in the 100 years to come. Some models use data to express conclusions, trends, or qualitative issues. In analyzing certain issues, some models overlap one another, which makes mutual checking at the same level easier.

We use the above-mentioned model systems to forecast the annual consumption level and pattern, production setup, investment scale and pattern, and growth rate from 1980 to 2000; to simulate various policies; and to explore methods of development from now until the end of this century. In short, we have analyzed and calculated a wide range of issues. In this article we shall only give a brief explanation of some issues under discussion.

To achieve the objective of economic development laid down by the 12th CPC National Congress, we are confronted with several strategic options, we use models to calculate various options, to comprehensively compare the differences between various plans regarding growth rate, people's material benefit, rationalization of the economic pattern, coordination of various proportional relations, improvement of economic results, and the sustained and stable growth of the economy, and to use systematic data to show that we can likewise achieve "quadruplication." However, some strategic plans may result in a rapid increase of national strength and substantial material benefit for the people, and som amy result in a slow increase of national strength and little material benefit for the people. Therefore, out of various plans for balanced development, heavy-duty structure, and rapid development, we have selected the plan for balanced development and put forward corresponding policy measures.

Proceeding from the objective of meeting the growing material and cultural needs of the people through socialist production, we studied various plans for achieving the objectives for the year 2000 in light of our population and natural resources and on the basis of maintaining the coordinated, steady, and sustained growth of the economy. We also studied and defined the

improvement margin of the people's living standards, chose a consumption pattern suited to national conditions, and explored appropriate proportional relations between the people's immediate and long-term profits and between the development of production and the improvement of people's living standards. After comparing various plans, we drew the outline of improved living standards for the people.

In the course of speeding up China's industrialization, we should scientifically foresee the changing trends in production structure and promptly readjust and rationalize our production structure so as to maintain the coordinated, steady, and sustained development of the national economy. We have not only forcast the development of production in various departments and the process of structural changes from now to the end of the century, but also analyzed the effects the production capacities of various departments have on the development of the national economy.

The speed of economic development and the scale of construction are linked to, and condition, each other. A certain speed of development must be supported by the corresponding scale of construction while the scale of construction is restricted by the current development of production, particularly the development of heavy industry. For this reason, it is necessary to take into overall consideration the needs of production development and possible supplies and to arrange the scale of construction in a scientific and objective manner. In keeping with this line of thinking, we used mathematical models to forecast the total scale and pattern of investment in capital construction in the period of the Seventh, Eighth, and Ninth 5-Year Plans.

We have studied various ways and tactical options to achieve our objective of development. Basing ourselves on China's population, capital, and natural resources, taking into account the fact that energy shortage and the strain on transport and telecommunications have seriously affected our economic development, and using the experience of other countries for reference, we have also designed six models of production structure, explored the effect of different development strategies and policies on China's economic development in the 15 years to come, and put forward some policy proposals for the modernization of production and the development of imports and exports.

In the report we have also analyzed the effect of the irrational price system on economic development, put forward the theory, methods, and steps of price adjustment, and conducted simulated experiments on price adjustment on a small scale.

We have given a brief introduction to our research in quantitative analysis. It is far from adequate in summarizing the large amount of forecast and analytical work we have carried out in the past 2 years. Moreover, to make it easier for people to understand, we have given explanations according to different issues. As a matter of fact, many issues have been analyzed, calculated, and studied in a comprehensive way and simulated experiments on policies have also been conducted in a coordinated manner. We have systematically calculated and analyzed all these by using the entire model system and

expressed fixed quantities with complete scientific data. That is to say, we use quantities to explain problems, to assess policies, and to describe future development trends. This is the most distinguishing feature of the work of the "Overall Quantitative Analysis of China by the Year 2000," which has been insufficienlty demonstrated in this article.

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JOURNAL ON DEVELOPMENT OF TOWNSHIP ENTERPRISES

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[Article by Chen Xiwen [7115 6932 2429] of the Research Group on the Development of China's Rural Areas: "Changes in the Setup of the National Economy and the Development of Township and Town Enterprises"--written in August 1985]

[Text] In 1984, the output value of township and town enterprises in our country accounted for 13.3 percent of the total output value of our society (see JINGJI RIBAO, 10 June 1985), and the output value of the industrial enterprises at the five levels in townships and towns taken together accounted for 16.1 percent of the total industrial output value of the country. The next value of the fixed assets owned by the enterprises at the township and village levels was already equivalent to 14.11 percent of the total net value of the fixed assets of all the state-run industrial enterprises with independent accounting in 1983, and the number of persons of nonagricultural productive forces being employed in township and town enterprises amounted to 62.27 percent of the total number of persons of nonagricultural labor forces employed in various departments owned by the whole people in 1983. On 1984, 14.5 percent of the net increased amount of the state financial revenues and 19.5 percent of the newly increased amount of taxes of the country came from the newly increased tax funds delivered by township and town enterprises (see JINGJI RIBAO, 10 June 85). In addition, 19.7 percent of the total energy resources output in the country came from the output of raw coal produced by township and town enterprises (Ibid.). All these figures show that in many aspects of our economic life, township and town enterprises hold a position not to be slighted; and the evaluation of the role and functions of township and town enterprises should never again be limited to the countryside proper.

Township and town enterprises have entered a stage of rapid expansion in recent years. In 1984, the total output value of these enterprises increased by 40 percent over the previous year; and in the first quarter of 1985, the output value of these enterprises again increased by 51 percent compared with the same period of the previous year (Ibid.). This superhigh speed of growth has made township and town enterprises one of the focuses attracting the public opinion of the whole economics circle. Of course, conscientous studies should be carried out regarding the advantages and disadvantages

brought about by this rapid expansion. However, in analyzing the causes of this rapid growth of township and town enterprises, it is inevitable we should also assess the original pattern and mechanism of the growth of the national economy and judge the development and the changes in the setup of the national economy. Therefore, even if we only pass a judgment on the speed of development of these enterprises, we should also analyze the problem of township and town enterprises in association with the setup of the entire national economy. This article attempts to present some initial and brief views.

I

When a comparison is made with other countries, an important aspect in analyzing China's special problems in connection with the economy is that the problem of rural areas should not be regarded simply as the problem of agriculture. The reason why we highlight this problem first is that in our rural areas today there are still a surprisingly greater number of people in excess of the actual needs of our agriculture.

According to the statistics of the World Bank, in 1982, the population of China constituted about 22.1 percent of the total population of the world; but our urban population constituted only 11.6 percent of the total urban population of the world, while the population in our rural areas constituted 29.2 percent of the total rural population of the world, of which the rural population of China in the laboring age bracket (15-64) constituted 32.7 percent of the total of the world (see the World Bank's "1984 World Development Report"). That is, of every three rural persons of laboring age in the world, one is in the rural areas of China. However, the natural agricultural resources of our country are far from constituting such a high proportion of the world's total. For example, the total area of arable land in our country constitutes less than 9 percent of the world's total (there are many estimated figures concerning the area of arable land of our country; calculation is made here on the basis of a total of 2 billion mu.). A rural laboring population constituting one-third of the world's total has to be in association with only one-eleventh of the total area of arable land in the world, and that is one of the most serious difficulties in developing China's rural areas. Obviously, in order to enable China's rural areas to get rich, a comparatively unique road of development must be followed so that this evidently irrational deployment of the rural resources can be changed.

Making some necessary comparisons with other countries on a worldwide scale is beneficial both to deepening our understanding of the difficulties in developing our rural areas and to keeping a sober mind in our selecting an appropriate road of developing our economy. From the statistical data of the World Bank on the ecomomic conditions of 126 countries in 1982, (see the World Bank's "1984 World Development Report"), we can derive the following three points of cognizance:

1. Aside from some individual countries with relatively small populations but with rich resources, when average countries attain a per capital national

income of $800, their laboring forces in agriculture generally constitute less than 60 percent of the total laboring forces of the society.

2. When large countries (countries with a population of over 20 million are generally classified as "large countries" in international practice) attain a per capita national income of $800 and above, their laboring forces in agriculture generally constitutes less than 50 percent of the total of the society, and their urban population normally constitutes more than 40 percent of the total; and when especially large countries (here it means those countries with a population of over 100 million) attain a per capita national income of $800, the proportion of their rural laboring forces is lower than that of the large countries and the proportion of their urban pouplation in the total population of the society is higher than that of the large countries.

When a comparison is made with those especially large countries with a per capita national income or total population comparatively similar to ours (here it means Indonesia and India), either the proportion of our rural laboring forces appears higher than average, or the proportion of per capita arable land in the rural areas of our country appears lower than average.

One of the economic targets to be achieved by our country by the end of the century is to realize a per capital GNP of $800. On the basis of the above three points of cognizance, if we are to achieve this target, we have to manage to lower the proportion of our rural laboring forces and increase the proportion of our urban population. With regard to those countries which have attained a per capita national income of $800, even though there are differences in their road of development and in the concrete conditions after this figure has been achieved, their structure of the laboring forces and the changes of the distribution of the population are in line with the above conclusion. Naturally there is no reason that our country should neglect this experience of a worldwide nature.

However, if our country can achieve simultaneous development in reducing the proportion of the rural laboring forces and increasing the proportion of the urban population, the difficulties faced by China in developing the rural areas will not be so serious and the road of development for China's economy will not be so specific.

Our country has developed for more than 30 years with reference to the Soviet pattern of economic development. It can be seen from the great number of views of Stalin on "the scissors differential in the exchanges of the industrial and agricultural products" that as early as 50 or 60 years ago the Soviet Government began to consciously set up a pattern of economic development: The funds for the development of the cities and industry were first procured from agriculture, and then on the basis of the development of the cities and industry, through the path of granting financial subsidies to agriculture, technical assistance, and absorbing the laboring forces from the rural areas, the degree of intensive agriculture was enhanced and

and the development of the rural areas was achieved. Here we do not intend to discuss the conditions imposed on the Soviet peasants by this pattern of development, but this pattern of development did show its successful aspect success beginning from the early 1960's: the proportion of the Soviet rural laboring forces decreased from 42 percent in 1960 to 14 percent in 1982, and in the same period the proportion of the urban population increased from 49 percent of the total population to 63 percent. (See the World Bank's "1984 World Development Report") It is obvious that when we adopted the USSR's economic development pattern, we did not achieve a success similar to the Soviet one in respect to the changes in the structure of the laboring forces and in the distribution of the population. The causes are manifold, which needs specific analysis and study. But one of the important reasons that enable us to make a straightforward judgment is that the USSR did not come across a huge rural population such as ours. Because of the existence of such a huge rural population, the capability of mobilizing funds for the development of the state-run industry after the USSR's pattern was no doubt quite great. However, as a result of the low economic results caused by the original economic system, the development of the state-run industrial system was unable to meet even the need for new jobs required by the natural growth of the urban population. Therefore, in the course of the growth of our national economy, our country not only took into consideration the Soviet pattern of developing industry and agriculture separately, but also had to adopt a more stringent measure in separating the cities from the countryside so as to ensure the employment of urban residents and the compatibility of their level of income with the level of development of state-run industry. Thus, the crux of the difficulties in developing our rural areas may be summarized as: The jobs newly created by the development of the state-run industrial system are not effectively used in reducing the proportion of the rural laboring forces, thereby directly inhibiting the enhancement of the growth of the proportion of the urban population and at the same time inhibiting the enhancement of the labor productivity of our agriculture.

In the course of developing our economy with reference to the Soviet pattern, for a very long period of time we overestimate the capability of the urban industrialization in absorbing the labor forces from agriculture. As a result, we were not conscious of the need to open up another effective path to help the peasants move from their farmland to developing nonagricultural employment. Consequently, a great amount of the labor force has been held in the countryside under the system of basically separating the cities from the countryside in the last 30-odd years. It is exactly from this perspective that we have every reason to hold that in our rural areas the problem of employment is more important than that of agriculture. It is true that in the course of urban industrialization, the state has effected great returns to agriculture in terms of financial and material resources. However, if the enhancement of the degree of intensive agriculture cannot lead to a reduction in the consumption of the living labor per unit area of farmland, then the investment itself will lose its economic significance. As a matter of fact, it is precisely because of the supply of material and technical equipment to agriculture by modern industry that the peasants sense the economic pressure of the necessity for more labor force to leave the farmland.

However, the peasants had to look for nonagricultural job opportunities within the local areas under the original system of separating the cities from the countryside. It was impossible for the peasants to realize their wish under the condition of policy constraints and the comparatively heavy burden of deliveries to the state. After the 3d Plenary Session of the 11th CPC Central Committee, the economic system in the rural areas was successfully reformed and the purchase prices for agricultural and sideline products were raised significantly. Thus, the peasants have had the necessary political and economic conditions to put their idea into effect, and township and town enterprises have the possibility of developing themselves vigorously.

Under the system of separating the cities from the countryside, developing township and town enterprises is no doubt the only way to lower the proportion of the agricultural labor force. Up to the end of 1984, the agricultural labor force employed in township and town enterprises amounted to 52.06 million people, constituting about 14 percent of the total labor force in the countryside (see NONGMIN RIBAO, 3 May 1985); of this figure, the number of people engaged in nonagricultural production reached 49.24 million, which was equal to 138.6 percent of the total number of staff and workers employed in the state-run industrial system in 1983. If calculated on the basis of the present practice that each rural laborer is responsible for the livelihood of 1.91 persons (see "The Chinese Statistical Almanac, 1984"), nonagricultural labor force employed in township and town enterprises are responsible for the livelihood of 94 million people; and this portion of the pouplation no longer dependent on income from agriculture is equal to the total population growth in our cities and towns in the period of 1952 to 1976 (see "The Chinese Statistical Almanac, 1984"). Our urban population under the present household registration system plus this portion of nonagricultural population brought about by the development of township and town enterprises have enabled our actual nonagricultural population to constitute about 32 percent of the total population in our country. At the same time, because of the creation of this portion of nonagricultural population, the average amount of farmland used by each person of our rural population and by each rural laborer has statistically increased by 13.7 percent and 17.9 percent respectively. This has brought new hopes and prospects for our agriculture to expand its scope of operation and to enhance the degree of its intention.

From the development of township and town enterprises, we have found a specific road of development to reducing the proportion of the agricultural labor force, which is different from the road of development of other countries. That is, the agricultural labor force moving out from their farmland may develop its own way of expanding non-agricultural employment without resorting to entering the cities in great numbers. It is obvious that for a country such as ours in which the rural population is huge and the urban population needs to enjoy lots of financial subsidies from the state, the rise of township and town enterprises carries a significance greatly beyond the development of the rural areas themselves. It plays a role of direct promotion regarding the overall reform of our national economy and the realization of our objective of attaining a per caita GNP of $800 by the end of this century.

II

The vigorous development of township and town enterprises has demonstrated the strong desire of our extremely rich labor resources in the rural areas to not confine themselves to the 2 billion mu of farmland and in participating in the operation of the great system of our national economy. The course of realizing this desire will provide a strong motive force for changing the present setup governing industry and agriculture, the cities and the countryside, employment, and income distribution. Changing the status and functions of the 800 million rural population in our economic system is obviously in line with the state's economic target to be achieved by the end of the century. Therefore, the development of township and town enterprises is by no means a matter concerning the peasants only. The great momentum already demonstrated by township and town enterprises requires that their development should be incorporated into the overall planning of the national economy, and all-round consideration should be given to these developments in association with the changes in the setup of the national economy which have already taken place and will take place.

The greatest proportion in township and town enterprises is industry. In 1984, the total output value of industry in township and town enterprises reached 125.4 billion yuan, which was equal to the sum of the total industrial output values of enterprises owned by the whole people of the 14 provinces, municipalities, and autonomous regions (with the exception of Sichuan Province) in the three large regions of north, northwest, and southwest China in 1983; and the number of staff and workers employed in the industrial enterprises at the township and village levels amounted to 32,324,000 people, which was equal to 91 percent of the total staff and workers in China's industrial departments owned by the whole people in 1983. Obviously, such a grand scale of the "peasants" industrial ranks should have its proper place in the industrial system of our country.

The experiences and lessons of many developing countries prove that in the course of development from an agricultural state to an industrial state, the strategy in developing industry should satisfy multiple economic targets simultaneously, including the enhancement of the capacity of the industrial production, the supply of more and more posts for employment, and for formation of an increasingly rational system of income distribution. Otherwise, it is inevitable that society will tend to adopt the set pattern of a "dual economic structure." In backward countries, a relatively independent industrial system cannot be formed without setting up a series of large-scale modern industrial enterprises. However, the establishment of large, modern industrial enterprises often needs to use the existing fundamental facilities to the greatest extent and make use of the best talents in technology and management within the country; on the other hand, imported technologies and equipment have to be used. As a result, the development of this kind of enterprise is often confined to the cities or the existing industrial zones; at the same time, the great amount of investment needed is not in proportion to the jobs thus created. Therefore, it is possible that large modern industrial enterprises become important sources for accumulating capital and funds for industry and become a guiding force in enhancing the technological level of the entire industrial system within the country, but they do not excel in creating sufficient employment or in realizing the formation of a rational structure in terms of income distribution between

the cities and the rural areas and between different regions. Therefore, we should not treat industrialization simply as developing large-scale modern industrial enterprises.

In this sense, the strategy of the backward countries in developing industry should make the entire industrial system show a structure of orderly levels in terms of technology and scale, so that the development of industry can provide job opportunities which are compatible with the labor resources within the country, thereby realizing relative balance in the income distribution between the cities and rural areas and between different regions.

The development of our township and town enterprises has already made great contributions to the establishment of the low-technology and small-scale levels in the industrial system. At present, a certain requisite division of labor is urgently needed between these enterprises and the state-run industrial system in cities, so that excessive competition in low-technology level and low quality products can be avoided. Without this division of labor, it is impossible to fundamentally resolve the contradictions in competing for raw materials, energy resources, and the market between the township and town enterprises and the "large industries" in cities; without this division of labor, not only will the expansion of the space for developing these industries of townships and towns and the employment rate of the peasants in non-agricultural jobs be affected, but also our state-run industrial system in cities will continue to be hindered by low-technology level and low quality products, thus making it hard to raise the level of the industries. The above situation will lower the efficiency in using the fundamental urban facilities and will hamper the rational use of talented people in technology and management, leading to the lowering of the quality and functions of the entire industrial system.

In carrying out the requisite division of labor between these two industrial systems, the first thing to do is to stick these "two skins" together through the association of technology and economics, so that a complete domestic industrial system can be formed; second, it is necessary to have a rough estimate of the domestic and foreign market needs so that processing capacity of different technological levels can be adequately employed to satisfy the needs of different markets; third, different processing stages of the same product should be established so that various links in the product processing chain can be employed and completed in different technological levels. Thus, it is possible that the process of our industrialization can be integrated with the harmonious development of both the cities and rural areas and that various industrial enterprises of different scales and technological levels can complement each other, thereby enhancing to the greatest extent the production results of the industrial enterprises at every level.

In short, we should not underestimate the role of township and town enterprises which may possibly remain at the low-technology and small-scale level for a considerable period of time. Township and town enterprises make great contributions to the increase of the national income which is not to be slighted. What is more important is that they can create more employment and

help realize a relative balance in income distribution between the cities and rural areas and between different regions, and in this regard they play a more significant role than the state-run large industries. In China, if the development of township and town enterprises is hampered, the employment and income of the huge rural population will have to depend on agriculture alone, which will inevitably lead to a constant rise in the costs of agricultural products. In this case, if we do not wish to widen the gap in terms of income between the cities and the countryside, we either have to lower the level of the real income of the urban residents, or raise the state subsidies for agriculture, which would mean a return to the old burdensom economic pattern and would form a great obstacle to the structural reform and changes in our national economic system. Therefore, it is necessary to provide a space for township and town enterprises to develop. And it is imperative that the state-run large industrial system should strive to enhance the levels of their technology and the quality of their products so that their enhancement can ensure space for the continued development of township and town enterprises.

III

Under the past stringent management system of the planned economy, township and town enterprises basically existed in a space outside the plans, and the process of the growth of these enterprises was a process of fighting for survival in the gaps of the plans. Since the implementation of the planned commodity economy, because of the lack of timely and sound laws and regulations that can protect the development of the commodity economy and the lack of experience in terms of the commodity economic activities on the part of the rural population who were confined to a self-sufficient or semi-self-sufficient economy for a long time, a certain blindness in action and confusion have inevitably existed in the course of the development of township and town enterprises. Overcoming these shortcomings is the prerequisite for the integration of township and town enterprises into the great system of the national economy and is also an important condition for maintaining the momentum of the healthy development of township and town enterprises. At present, the overall economic situation demands that the blind expansion of capital investment and consumption funds be put under control. This macroscopic situation provides an excellent opportunity for township and town enterprises to carry out a necessary and conscientious consolidation.

The consolidation of township and town enterprises comprises an aspect of the microscopic management level as well as aspects of the medium-sized and macroscopic management levels.

With regard to the microscopic level, township and town enterprises should seriously handle such problems as low quality of their products, lack of balance between production and sales, and confusion in respect to their financial management. According to the statstics and analysis of the relevant departments, with regard to the existing township and town enterprises in the five provinces of Jiangsu, Shandong, Henan, Shanxi, and Hunan, their finished products funds account for 42 percent of the entire rated capital

and their accounts receivable account for about 36 percent of the entire floating capital. The large proportion of finished products in the rated capital and the large amount of accounts receivable in the floating capital may possibly be the comprehensive results of multiple factors, but the poor sales of products and the confusion in financial management in enterprises are no doubt two important factors among them. According to the estimates of the relevant departments, the finished products funds and the various kinds of funds receivable, which are excessively and poorly used by the enterprises at the township and village levels, amount to two-thirds of the total loans obtained by township and town enterprises in 1984. Under the condition that the state exercises strict control on the scale of credit facilities, if efforts are not exerted in raising the quality of products and organizing the production of the marketable items in line with the changes of the market so as to lower the proportion of the funds used by the finished products, and in actively retrieving the funds receivable, there will be a further lack of floating funds needed for the development of these enterprises. This will pose a grave problem for the normal production of the existing township and town enterprises.

With regard to the medium-sized and macroscopic levels, it is necessary to emphasize the perfection of the control system on township and town enterprises, so that this control system can ensure the observation of laws and regulations by the enterprises as well as promote the development of these enterprises. It was exposed recently that a small number of township and town enterprises, which were under the control of certain bad elements, wantonly produced and marketed bad quality or fake products. Of course, stringent measures must be taken to deal with these bad elements and illegal practices. However, we should clearly see that the emergence of these illegal practices has no essential connection with the development of township and town enterprises. What is important is that the existence of these illegal activities exposes defects and confusion in the control system of township and town enterprises. The perfection of the control system of township and town enterprises does not aim at cracking down on the few illegal elements alone. Its important task lies in training a large batch of township and town entrepreneurs who are well versed in following the rules of the commodity economy and who observe the ethics of socialism, which will ensure that the development of the towns will not deviate from the path of the socialist economy. The thriving development of township and town enterprises has made it become one of the important sources of financial revenue in many places. It is precisely because of this that two trends worthy of our attention have emerged in not a few township and town enterprise control departments. One trend is that large numbers of new development plans of township and town enterprises are recklessly approved or formulated irrespective of the practical capabilities and conditions locally. According to a survey conducted in the first half of this year in nine provinces and municipalities, there were 7,196 new items of township and town enterprises which started construction last year and whose construction continues this year, and there were 9.917 more construction items of township and town enterprises which start construction this year. For these two batches of projects, a total of 2.83 billion yuan of equipment and floating fund loans was needed,

which amounts to 57.8 percent of the total amount of investment for these items, and which is equivalent to 3.7 times the loan capacity of the agricultural banks and credit cooperatives in these nine provinces and municipalities planned for the support of the new projects of township and town enterprises. This blind encouragement and support of new projects of township and town enterprises will result in the dispersion of capital and funds, leading to the widening of the gap and the increase in the number of projects which are unable to carry out normal production or have to suspend construction halfway. This will increase the credit risk of the credit organizations, and will make the peasants sustain unexpected investment risks. The second trend is that some places, especially certain township and country governments, regard township and town enterprises as their own "backyard economy" and "small treasures" and demand contributions of money whenever possible. According to the statistics of the relevant departments, in 1984, 43.86 percent of the net profits of the enterprises at the township and village levels participating in distribution were handed over to the departments in charge, and the rate of net profits procured by the departments in charge was equal to 137.6 percent of the rate of net profits used by the enterprises in expanding reproduction, and was equivalent to 94.1 percent of the total amount of equipment loans of township and town enterprises. This practice of arbitrarily procuring the profits of township and town enterprises by the departments in charge not only weakens the accumulation capacity of township and otwn enterprises, thus increasing the pressure on credit funds demand, but also helps form various kinds of complicated relationships of vested interests, thus increasing the difficulty for the structural reform of the control system of the entire countryside.

Consolidation of township and town enterprises at the microscopic operation level and at the medium-sized and macroscopic management level is certain to lead to the contraction of a batch of enterprises with unsatisfactory product performance, bad management, and poor economic results, and to the selection of a batch of township and town enterprises worthy of active support and with bright prospects. It should be made clear that without this necessary contraction and further understanding of the orientation for development, no substantial results can be achieved regarding the consolidation of township and town enterprises. Therefore, the consolidation of township and town enterprises should be in association with the contraction and development of these enterprises. At present, the development of township and town enterprises not only involves the problem of insufficient funds, but also involves the supply of requisite materials even if the existing funds are used effectively. According to a survey conducted by Huangpi County, Hubei Province, the amount of electrical power, coal, and steel that could be supplied to township and town enterprises in 1984 amounted only to 47.8 percent, 26 percent, and 12.3 percent of the quantities needed respectively by these enterprises. Similar conditions existed in various places. The tense situation in the supply of materials not only led to the rise of material prices, the rise of production costs of the enterprises, and the lowering of profits, but also led to poor use of capacity and the idling of production facilities. Therefore, it is necessary to give overall consideration to the aspects of "consolidation," "contraction," and "development" and make use of various kinds of economic levers, the lever of finance in particular, so that those enterprises that should be "contracted" are "contracted," and those enterprises that should be "developed" are continuously supported.

At present, it is also necessary to find ways to solve the problem of the shortage of funds in the development of township and town enterprises. In 1985, with regard to the newly increased credit facilities arranged by the state banks, only 2.8 percent was allotted to township and town enterprises, which is not much for township and town enterprises whose output value already accounts for 13.3 percent of the total social output value. However, one should never fail to see that there is potential for these enterpises to make use of their own funds. First is to do a good job in the sound distribution and rational use of the profits of the enterprises. In 1984, of the net profits of the enterprises at the township and village levels, only 32 percent was used for expanding reproduction, and the remaining portion was basically "either procured by the upper-level organs or distributed by the enterprises themselves." Thus, it can be seen that there is still considerable potential for transforming the profits of enterprises into production funds by means of more stringent financial controls and bank supervision. Second is that the system of depreciating the fixed assets of enterprises should be perfected and the depreciation funds be rationally used. Taking into account the net value of the fixed assets possessed by the enterprises at the township and village levels, if the depreciation funds of all the enterprises are calculated at the comprehensive depreciation rate of 8 percent, the depreciation funds obtained in 1 year will amount to about 60 percent of the total amount of the equipment loans for the existing township and town enterprises. If proper use of these funds can be made, significant sources of funds will be derived for the technological transformation and expansion of township and town enterprises. Third is to deal with the funds receivable, lower the proportion of finished products, and dispose of various kinds of overstocked materials. Even if one-third of the value of these three items can be obtained, it will equal an amount three to four times the increased loans granted to township and town enterprises by the state according to the plans in 1985. Fourth is to adequately control the speed of expanding the wage funds of township and town enterprises. According to statistics, the annual per capita wage income of the staff and workers of township and town enterprises in 1984 was 621 yuan, an increase of 14 percent over the previous year, which was equal to 72 percent of the average wage of the staff and workers in units under whole-people ownership in 1983 and was equivalent to 101 percent of the average wage of the staff and workers in units of the commercial and service trades under collective ownership in cities and towns. According to the estimates of the relevant departments, the total amount of wages of the staff and workers in the enterprises at the township and village levels in 1985 will increase by 25 percent or so over the previous year, which means the annual wage income of their staff is expected to reach about 700 yuan. If about 10 percent of this amount can be raised by means of borrowing or deposits, which will not seriously affect the livelihood of the staff and workers, a total of 2 to 3 billion yuan can be rasied for the use by the township and town enterprises. From the perspective of the overall situation of reforming the economic system, the approrpriate control of the increase of funds of township and town enterprises will help realize the expectations of urban staff and workers in getting some wage increases in the near future, thus further lowering the friction coefficient in the current urban reforms.

With the macroscopic background of mroe stringent control over credit facilities by the state, the capital and funds needed in developing township and town enterprises should be derived from their own accumulation. However, tapping the potential of accumulation of these enterprises is only one side of the coin. Another side of significance, which receives insufficient attention in our financial work, is the flow and circulation of capital and funds in accordance with the characteristics and rules of the capital movement of township and town enterprises. In 1984, the output value of the secondary and tertiary industries accounted for 96.9 percent of the total output value of township and town enterprises. This shows that the capital movement of township and town enterprises does not in effect possess the characteristics and rules of the capital movement of agriculture. Consequently, when the capital and funds of township and town enterprises and the capital and funds of agriculture are arbitrarily mixed together and controlled by the same financial organization, it often either affects the development of the township and town enterprises, or brings about undesirable effects to the development of agriculture within a certain period of time. Although the agricultural bank now exercises separate control over the credit funds for township and town enterprises, its primary purpose is nevertheless to strictly control the scale of credit and loans to these enterprises and not to take full consideration of the peculiarities of the capital movement of these enterprises. Hence, it can hardly play the role of associating the capital movements of township and town enterprises with secondary and tertiary industries of the entire society. Because of the characteristics of their internal structure, the capital movement of township and town enterprises tends to approach the characteristics of the capital movement of industry and commerce. In view of the considerable scale of the development of township and town enterprises, we should consider the possibility of separating the control of credit and loans for these enterprises from control by the agricultural banks, and establishing specialized banks for township enterprises or banks for small enterprises. We should at least give considerable autonomy to those departments responsible for granting loans to township and town enterprises, and attention should be paid to the channeling of information to the specialized banks which are responsible for managing the capital construction and floating capital of industry and commerce. Only thus can the orientation of investment, production, and deployment of industry and commerce depart from the old pattern of separating the cities from the rural areas, thereby enabling township and town enterprises to truly join in the great system of our national economy.

The development of township and town enterprises makes people further understand the association and difference of the three concepts--the rural areas, agriculture, and the peasants. China's characteristics and the path of development already covered do not make the concept of the rural areas simply synonymous with agriculture gradually, but make agriculture only one industry in the rural areas. Hence arises the problem of the choice of different posts of employment in the rural areas by the peasants. Obviously, the concept of "peasants" in the traditional sense can no longer comprehensively describe the characteristics of the rural population in China. This is precisely the result brought about by the great changes in terms of the

development of township and town enterprises and in the economic structure of the rural areas. It is currently changing the traditional pattern of our country in income distribution, thus also changing the traditional pattern of the cities and rural areas in our country. It is not hard to imagine that the further development of township and town enterprises will vigorously activate changes in the pattern of the entire national economy, which will develop more smoothly toward the economic targets to be achieved by our nation by the end of this century.

/6662
CSO: 4006/414

SHANGHAI CUSTOMS OFFICIALS PUNISHED FOR ECONOMIC CRIMES

Beijing RENMIN RIBAO in Chinese 9 Sep 85 p 1

[Report by Zhang Shihong [4545 0013 7703]: "Obsessed with Desire for Gains, Certain Cadres at the Shjanghai Customs and Putuo District Public Security Branch Bureau Protect Their Own Criminal Conduct by Taking Advantage of Their Office and Power But Are Subject to Investigation and Punishment"]

[Text] Shanghai Municipality recently exposed an illegal and discipline-violating group which waved the sign of "Huayi Comprehensive Trading Center." This so-called "trading center" was run by certain cadres of the Shanghai Customs and the Putuo District public security branch of Shanghai Municipality. This was an especially big economic case that occurred recently in Shanghai. The Shanghai municipal party committee has already charged the municipal discipline inspection commission and judicial organs with responsibility for conducting a thorough investigation of the case. Six criminal elements have been arrested according to law.

This so-called "trading center" had the former deputy head of the smuggling investigation division of the customs, Chen Kunxing [7115 0981 5281], as its vice chairman of the board, and order and security section chief Pan Jialin [3382 0857 7792], of the public security branch bureau, as its general manager. It also placed an unemployed swindler, Wang Hengming [3769 0077 6900], in the important position of deputy manager and concurrently service department director. They let it be known that "Huayi" was jointly run by the Shanghai public security bureau and customs and that it could do business in anything. They transported from Guangzhou a large number of obscene and dirty video cassette recordings which they not only showed and watched themselves but also sold at a high price. At the end of last year, they resold a contingent of illegally bought imported motorcycles to Guangzhou and demanded a large "reward." They also illegally imported color television sets from Guangzhou to resell in Shanghai. Using the method of advance payment, they swindled large sums of money from 17 customers within and outside of the municipality as their "capital" and caused serious economic losses to their customers.

The seriousness of this case also lies in their protecting their own criminal conduct by taking advantage of the power in their very hands and even employing draconian measures. In August last year, they bought a shipment of

audio casette recorders; when these were seized by people's police, they showed them a false inspection badge indicating that they had come from Shanghai to Guangzhou to handle some cases and thus succeeded in passing through. They illegally used more than 100,000 yuan in advance payments by a customer in Guizhou and, after thus causing a business dispute, even called into service a police vehicle and issued a subpoena to drag the purchasing agent of the other side into their public security station and put him on trial, falsely accusing him of "swindling public funds"; this had dire political consequences.

It has been learned that Wang Hengming is a swindler who has been taken in and let out of public security organs six times; in April alone he singlehandedly profiteered several tens of thousands of yuan.

9255
CSO: 4006/967

SHAANXI TO LAUNCH MAJOR INSPECTION OF TAX REVENUE

Xi'an SHAANXI RIBAO in Chinese 25 Aug 85 p 1

[Article: "Provincial Government Decides To Launch Major Inspection of Tax Revenue"]

[Text] The meeting of its standing committee, convened by the provincial government on 24 August, heard a summary report by the provincial tax bureau on tax work in Shaanxi and, furthermore, decided to launch immediately a major province-wide inspection of tax revenue.

This year, Shaanxi Province has already fulfilled 77.4 percent of the annual tax revenue plan, with an increase of 27.32 percent over the revenue in the corresponding period last year. The amounts were larger and the speed of turning the money over to the treasury was faster than ever before. However, checks undertaken by all units province-wide for the past half year, and recent spot checks of tax revenue carried out by the provincial tax bureau in Qindu Prefecture of Xianyang City and in Qianxian County have revealed serious incidences of tax fraud and tax evasion.

To fully reassert the role of tax revenue in macroeconomic management and to ensure fulfillment of this year's tax revenue task, the provincial government decided to have the governments at all levels immediately launch a major and comprehensive tax investigation, based upon self-checks and mutual checks by all taxing units, with a work force of capable cadres drawn from the finance, tax, industry and commerce control, audit, banking, public security and judicial departments. The checks shall mainly focus on tax fraud and tax evasion since 1984, but may investigate cases of the 1983 period. The main emphasis of the present inspection shall be on certain units that are large sources of tax revenue, beset with many problems and serious cases of tax fraud or tax evasion. At the same time, all those cases should be resolutely rectified where tax collecting powers have been exceeded and where units established their own laws and regulations, allowing tax reductions and exemptions. Problems that are ferretted out shall be dealt with according to the guidelines of the current state tax laws, checking taxpayer by taxpayer and getting to the roots of the cases taxpayer by taxpayer. As soon as a case has been established, restitution must be made immediately, without the slightest leniency or procrastination. From now on, we must improve the taxpayers' knowledge of tax laws such that they will conscientiously implement

tax policies and fulfill their tax obligations according to law. Enterprises that commit tax fraud or tax evasion cannot be assessed as "advanced enterprises," and their factory directors cannot be assessed as "model factory directors."

The standing committee of the provincial government pointed out that grassroots tax cadres have to endure many hardships in resolutely organizing tax work. The governments at all levels must actively support them, must show solicitude toward their livelihood and spur them on to work ceaselessly and unremittingly, to exert greater efforts and make even greater contributions.

9808
CSO: 4006/23

SICHUAN SEES FAVORABLE RESULTS, JANUARY-JULY

Changdu SICHUAN RIBAO in Chinese 28 Aug 85 p 1

[Report by Zhou Shaokun [0719 4801 0981]: "Production Stabilizing in a Sustained Way and Developing in a Coordinated Manner, Results Outpace Growth in Output Value: Province's Industrial and Communications Production from January to July Has Been Surprising"]

[Text] Sichuan's industries and communications have been developing in a sustained and steady manner this year, and the increase in results has been higher than that in output value.

The province's gross industrial output value from January to July grew by 21.7 percent over the corresponding period last year; of the revenues from the local industrial sales and realized interest within the budget have both increased by more than 22 percent over the corresponding period last year.

The main characteristics of Sichuan's industrial and communications production during the first 7 months of this year are as follows:

1. Production has continued to enjoy stability and develop in a coordinated manner. Among the province's 20 prefectures, cities and autonomous prefectures, the output value of 17 of them has increased by more than 10 percent over the corresponding period last year. Of the 24 responsible divisions, bureaus and companies evaluated by the provincial government, 22 expanded production over last year.

2. Light industrial and textile products urgently needed in the market have been developing rather rapidly. The output value of Sichuan's light and textile industries during the first 7 months this year increased by 19.9 percent over that of the corresponding period last year; of these industries, high-grade, durable consumer products for family use such as electric appliances, and canned foodstuffs, beverages, liquor, tabacco, etc., all grew significantly, spurring the development of trades such as glass, printing, papermaking, packing, and the like.

3. Heavy industries such as machine building, steel, and weaponry have been actively developing marketable small-size products and readjusting their product mix; production has maintained a reasonable pace of development.

4. Energy resources production has been rising across the board; communications and transportation operations have been fulfilled beyond plan requirements. Coal production has already fulfilled 70 percent of the year's plan; and despite a lack of new generators being put into production, electric power has still shown an increase of 8.6 percent in supply over the corresponding period last year. Railway and highway freight transportation volumes have likewise increased over the corresponding period ast year.

5. The development of collective industries has been higher than that of state-owned industries, while development of the processing industries has been higher than that of raw and processed materials industries.

Not a few problems, however, have also surfaced in the production of our industrial and transportation system during the first 7 months; these are mainly manifested in the following: fulfilment of some predetermined economic targets has been inadequate, especially in the losses, costs, and allocation of expenses for finished products which all exceeded those of the corresponding period last year; shortages of raw and processed materials; and the frequency of accidents. In the course of production during the last 5 months this year, we must make a point to solve these problems so as to enable Sichuan's industries and communications to develop healthily.

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ANALYSIS OF SICHUAN'S DAILY-USE ITEMS DURING PEAK PERIOD

Chengdu SICHUAN RIBAO in Chinese 6 Sep 85 p 2

[Article by Luo Yan [5012 3601]: "Analysis of Purchase and Marketing Conditions of Manufactured Goods for Daily Use in the Market of Sichuan Province During Peak Season"]

[Text] The recent conference of managers of department stores and certain wholesale units from all prefectures, municipalities and autonomous prefectures of Sichuan Province analyzed and studied Sichuan's market trends during the peak period of the second half of this year. All agreed that according to the current market trend of purchases and sales, there will be an increase in the supply of manufactured goods for daily use in Sichuan during the later half of the year, there will be a continued trend toward a stabilization in consumption patterns, a fairly concentrated flow of money into circulation, there will be more selectiveness than in the past, the whole spectrum of goods will register brisk sales, and goods in great demand and tight supply will remain in great demand and tight supply. The commercial departments at all levels must, therefore, energetically make arrangements to supply the market with marketable goods.

From the start of this year, the market for manufactured goods for daily use is livelier than ever, both purchasing and marketing are brisk, and beneficial results have conspicuously increased. Comparing the semiannual situation this year with that of the same period last year, the purchases by the department store system of the province this year increased 12.6 percent (imports from other provinces increased 35.1 percent), sales increased 21.5 percent, and profits increased 200 percent. The marketing area for manufactured goods for daily use throughout the province was much broadened during the first half-year. The assortment of goods in great demand was greatly increased, and the situation of the commercial departments changed from one of mutually pursuing sales to one of eagerly asking for more goods; there was little difference between slack periods and peak periods, as slack periods were not slack and in peak periods sales peaked even more. Sales in January, amounting to 420 million yuan, set a monthly record. Still in April, sales were 31 percent above those in the same month of last year. Consumption in the cities is gradually turning to items of comfort and of a developmental character; the demand is for high-quality goods, famous brands and newly created and upgraded articles. The demand for manufactured goods for daily use in the rural areas

is increasing almost daily. In their purchases of manufactured goods for daily use, a portion of the affluent peasantry shows a trend toward urbanization.

It is estimated that the purchasing power of the urban and rural areas of our province in the second half of this year will exceed the level of the first half, and there will also be a more concentrated flow of currency into circulation. However, since the state will tighten the currency supply, control the issue of consumption funds and strengthen market control, there will be fewer of the abnormal features in economic activities, a gradual relaxation in the keyed-up consumption mentality of the masses will set in, and the market for manufactured goods for daily use will return to a normal and stable development. The special characteristics of this will be:

1. An increase in the sources of products in the light and textile industries in the second half-year and a possible narrowing of the disparity between supply and demand. The sources of supplies, considering their total volume throughout the province, can basically guarantee filling all needs, but certain major items will continue in short supply, and some will even be unavailable. Since there will be no more tasks to support the poor by credit sales, marketing of textiles may suffer certain detrimental effects, but knitwear sales will steadily rise.

2. The masses show great selectiveness in making their purchases of goods. At the end of June, surplus funds in savings in all the urban and rural areas of the province together amounted to 8 billion yuan, an increase of 21.2 percent over the amount at the beginning of the year. The rush to make cash purchases by the masses begins to turn into depositing savings and selective buying. Among the articles for daily use in the department stores, watches and sewing machines still have a certain market in the rural areas, and the trend of purchases is to either select famous brand articles or cheap goods. Sales of cameras have slowed; consumers currently prefer medium and lower grade domestic brands and imported 135-mm cameras.

3. In the second half of this year, several holidays, National Day, New Year and Spring Festival, occur one after the other, and the fourth quarter will therefore see a high tide of purchases. The peasants receive their income from the sale of their agricultural and sideline products mainly in the latter half of the year, and their purchases of manufactured goods for daily use will be concentrated at the end of the year. The special characteristics of the consumption structure in urban and rural areas is that it is multi-tiered and that the flow of money will be directed more and more toward famous brands, local specialties, high-quality goods and new products.

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PORT OBSTRUCTIONS TACKLED BY MINISTRY

Beijing RENMIN RIBAO in Chinese 6 Sep 85 p 2

[Article by ZHONGGUO JIAOTONG BAO reporter Li Kefu [2621 0344 1133]: "Communications Ministry Leaders Going to Dalian, Tianjin and Other Ports To Handle Official Business on the Spot; Strive To Quickly Lower the Number of Vessels Kept at Anchorage"]

[Text] Under the leadership of the State Council ports office, the Communications Ministry has organized four work teams; these teams, led by four ministers including Qian Yongchang [6929 3057 2490] and others, on 5 September went to Dalian, Tianjin and two other ports to handle official business on the spot so as to further alleviate the problem of vessels being kept back.

Since May this year, the problem of vessels being kept back at various ports has been rather serious. After several months of earnest struggle, the problem has been preliminarily solved. But since arriving vessels have tended to converge, the problem has once again become increasingly serious. At present, vessels staying at their anchorage each day exceed 500. In order to alleviate this tense situation, the party committee of the Communications Ministry has decided to tackle this problem as one of its central tasks and has organized four work teams to be led by Minister Qian Yongchang, Vice Ministers Zheng Guangdi [6774 0342 6611], Lin Zuyi [2651 4371 0044], and Huang Zhendong [7806 6966 2639], with participation by comrades from the State Council ports office, the State Economic Commission, and the Railway Ministry, to go respectively to Dalian, Tianjin, Shanghai and Huangfu Harbor. On the afternoon of the 4th, the work teams convened a meeting; Comrade Qian Yongchang asked the work teams to strive to secure the support of leaders of the local municipal governments as well as coordination in various aspects; in the case of problems that can be solved in the near term, decisive measures should be taken once they are perceived so as to do their best to reduce the number of vessels being kept back. While striving to achieve near-term results, the work teams must conduct penetrating investigation and study on this problem and propose methods for its solution. Minister Qian Yongchang said: Although the various ports have already made considerable efforts in this regard, we must still adopt certain necessary and feasible measures to improve our management, further tap our potential, improve efficiency, and thus alleviate this problem.

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BRIEFS

SAVINGS OBJECTIVES FULFILLED IN JIANGSU--As of 24 August, the sum of savings deposits in cities and towns throughout Jiangsu reached more than 4.3 billion yuan. Thus targets assigned by the head office were overfulfilled 4 months ahead of time and a new all-time level was again attained, thereby significantly mitigating the contradiction between supply and demand with respect to credit funds. [Text] [Nanjing XINHUA RIBAO in Chinese 25 Aug 85 p 1] 9255

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3,000 LARGE, MEDIUM-SIZED ENTERPRISES HAVE YOUNGER LEADERS

Beijing RENMIN RIBAO in Chinese 12 Sep 85 p 1

[Article by Song Shiqi [1345 0013 3823] and Wu Xuelin [0702 1331 2651]: "The Newly Adjusted Leadership Groups in Key Enterprises Are Young and Knowledgeable; Accelerated Reform of the Organizational System in 3,000 Large and Medium-Sized Enterprises Throughout the Country Has Been Organizationally Assured"]

[Text] We heard from departments concerned that the second readjustment of the leadership groups, which had begun early last year, was basically completed by the end of June in 3,000 large and medium-sized key enterprises throughout the country. The most conspicuous changes brought about by the readjustment in the leadership groups are: First, they are composed of younger persons, and second, their members are becoming more knowledgeable.

In the newly adjusted leadership groups of large and medium-sized key enterprises the ages have become staggered like a ladder, with cadres in their forties forming the main group. According to the statistics for 2,900 of these enterprises, 20 percent of their cadres, numbering 18,000, were 40 or younger, 63 percent were 41 to 50 years old, and the average age was 45. Those with university or college education accounted for 74 percent of the leading group members. Among factory directors, those with university and college education accounted for 89 percent, an increase of 40 percent over conditions before the readjustment. Among party secretaries, those with university and college education accounted for 81 percent, an increase of 70 percent over conditions before the readjustment. When selecting leading cadres for important positions, preference is also given to those who through arduous self-study have mastered the scientific knowledge required on their jobs and who show managerial capabilities. Most of the new leaders have been tempered for many years in their respective enterprises, have abundant practical experiences and have outstanding achievements to their credit. The political quality of the young cadres who have been newly selected to join leading groups is generally very good. Having undergone very strict examination and having had opinions expressed about them by various quarters and on a wide scale, these persons have a solid base in the masses, and the large majority of these comrades also make high demands on themselves.

The newly readjusted leading groups base their work on the foundation laid by the leading groups before them, while they themselves eagerly embark on reforms and on new developments with an abundance of initiative.

The 3,000 large and medium-sized key enterprises play a decisive role in the national economy. The smooth readjustment of their leading groups that was recently carried out provides an initial organizational guarantee for increased vigor in our large and medium-sized enterprises and for an acceleration of the reform in our economic structure.

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PRC JOURNAL ON STATUS OF FACTORY CHIEFS

HK290829 Beijing JINGJI GUANLI in Chinese No. 10, 5 Oct 85 pp 26-28

[Article by Gao Hongde [7559 1347 1795] and Feng Subao [7458 5685 1405]: "An investigation into the role of factory directors of enterprises under the system of ownership by the whole people"--edited by Xu Xiaojiu [1776 1420 3773]]

[Text] What is the role of the factory chief in a whole-people-owned enterprise? This requires not only discussion from a theoretical standpoint but the possession of a large amount of practical experience. To find out what factory chiefs themselves think, we recently interviewed chiefs (or managers) from over 20 enterprises, including the Yuchuan No. 1 Cotton Factory in Chengdu, the Chengdu Engineering Machinery Factory, the Meishan Vehicle Works, the Chengdu Measuring and Cutting Tools Plant, the Chengdu No. 3 Wireless Factory, the Chengdu Rolling Stock Plant, and the Chengdu Papermill Company. The results of these interviews were that according to their own understanding, 70 percent of them considered that they represented the factory; 5 percent considered themselves representatives of the state; and 25 percent were of the opinion that they represented both the state and the factory. But the opinions of this last 25 percent were not entirely consistent. Some considered that they should represent the enterprise, but that present conditions did not permit this; some believed that from the point of view of the current situation, they were representatives of both, but that developments should turn them into purely enterprise representatives; and some considered that they should indeed be representatives of both factory and state.

During the discussion, the majority of the factory chiefs put forward the opinion that their representing the enterprise was in line with the spirit of the 3d Plenary Session of the 11th CPC Central Committee, the direction of the reform and the actual status of a factory chief; that it was beneficial to the freedom of the factory chief, to the proper running of the enterprise, the proper handling of relations between state and enterprise, and the exploitation of the initiative of staff and workers.

Some factory chiefs said that in order to find out what a factory director represented, it was necessary to see whether he genuinely wanted to enliven the enterprise or not. Since the 3d Plenary Session of the 11th CPC Central

Committee, the central government has been putting great efforts into the reform, and has consistently adopted measures aimed at enlivening enterprises. Making the factory chief the representative of an enterprise should be said to be an inevitable trend in that reform.

Some factory chiefs said that if the chief "represented the factory," then that factory would have more vitality. For a long time now, whole-people-owned enterprise management could not compare with that of collective enterprises. But in terms of the quality of personnel, the capability of the equipment, and the quality of products, the former were often stronger than the latter. But whole-people-owned enterprises had been tied hand and foot. If whole-people-owned enterprises had the collective enterprises' level of independent management, and responsibility for profits and losses, the factory chief would work as a representative of that factory, everyone would work under a common policy, start the race from the same starting-line, and be measured with the same yardstick, and in this situation whole-people-owned enterprises would not be inferior to collectives. Only by competing under these conditions could the standard of the factory chief be seen.

Some factory chiefs said that allowing the factory chief to represent the enterprise would cut the umbilical cord between enterprise and state. Only in the absence of something to rely on would the enterprise be able to put its efforts into good management. At present, some factory chiefs in whole-people-owned enterprises have a dependent attitude; they rely on the state for everything, and shift all problems onto the back of the nation. If the factory chief lost this object of dependency, he would have no choice but to rely on the staff and workers, everyone would work hard together, go through good and bad together, and fight together for survival and development.

Some factory chiefs said that the faith of the workers in the factory chief depended mainly on whether he was a good manager or a popular person, not on whether he represented the state or not. It had always been the case that the factory chief worried not about complaints from the masses, but criticism from the higher authorities. Now what he worries about most is that the masses will not be enthusiastic in their work.

Some factory chiefs said: If I represent the state, whom should I represent? The tax bureau? The banks? Or all the levels of government? What kind of representatives should we be?

Some factory chiefs said: We carry out state policies, abide by state laws, and fulfill state tasks; that means that we represent the state.

Some factory chiefs said: If I am required to represent the state, then some of the problems I face in management should be solved by the state. But at present, the situation is that if a problem comes up in the enterprise, nobody wants to take care of it, and I don't have the power to solve it. All I know is that if I don't think about the interests of the

whole factory's staff and workers, I will lose my job. If we are state representatives, how is it that we cannot solve any problems?

Some factory chiefs said: If the factory chief represents the enterprise, manages it independently, and pays its taxes to the state, then the relationship is simple and clear; the state passes laws and levies taxes from the enterprise, and the enterprise obeys the laws and pays its taxes. It's best not to mix in political relations, and give the factory chief's position a political quality. A factory is an independent economic organization, not an organ which blindly enforces administrative orders from above. The factory chief should be put in an environment which enables him to carry out pioneering work independently; he should not be controlled by the hands of the higher authorities.

Some factory chiefs said: It is right to stress the political quality of a factory chief, but you cannot ensure the correct handling of the relationships between state, enterprise, and individual simply by relying on the spiritual qualities of the factory chief. The correct handling of these relationships must be set out clearly in the law and the system.

Some factory chiefs said: The relationship between the state and the enterprise is like the relationship between the factory and the workshops within it which contract for work. You cannot just talk in a general way about the workshop chief representing the workshop; you have to state clearly that the relations between the factory and the workshop are relations of rights and duties, of settling and recognizing accounts; after the factory's laws and accounts have been established, the workshop chief signs a contract with the factory as that workshop's representative. When the contract is carried out, this is done on the basis of responsibilities, rights and interests, not on the basis of the "good conscience" of the workshop chief.

Some factory chiefs said: What exactly is the meaning of "protecting the state's interests?" Giving more taxes to the state is not the only yardstick. If the enterprise achieves some development, that's also protecting the state's interests. If a factory chief works for the expansion of the factory, that can't be seen as representing the interests of only a number of people.

Some factory chiefs said: It cannot be said that if a factory hands out more rewards, it is not protecting the interests of the state. Reasons for more rewards being issued should be sought from many angles. The majority of factory chiefs do not want to squeeze every penny they can out of an enterprise, they want to maintain and develop normal production, and enliven the enterprise.

Summing up the above, it is our opinion that the majority of factory chiefs are clear or basically clear in their understanding of their role. Of course, they are by no means all unanimous in their views.

During the survey we discovered that in the discussion of their roles, some factory chiefs showed the following characteristics: First, in public discussion, they stressed representing the state, but in private discussion they put more emphasis on representing the enterprise; second, when they first touched on this issue, they directly said they represented the state, but after detailed analysis they recognized that they represented the enterprise; and third, when they issued tasks to workers and did ideological work, they represented the state, and when they engaged in activities with those outside the enterprise they represented the enterprise. We feel that this reflects both the complexity of the production relations issues touched on by the question of the factory chief's role, and the fact that factory chiefs still have some misgivings on the issue.

1. They are worried that they, as chiefs of whole-people-owned enterprises, will be seen by state cadres as enterprise cadres. One factory chief said: "It is no good if a factory chief is elected entirely by the workforce; what happens if they dismiss one from office one day, another the next?" "A factory chief is a state cadre, a party cadre. He is entrusted by the state to run the factory."

2. They fear that if they state categorically that they represent the enterprise, they will be labelled as departmentalists by others. Some factory chiefs were particularly wary of this in a situation where they were fighting against new bad trends.

3. They were worried that if they did not say that they as factory chiefs represented the state, they would lack the necessary strong backing when talking to staff and workers. Some factory chiefs said: When I delegate work to staff and workers, I always say it's a state task, and must be fulfilled. That way I can get the work done properly.

However, some factory chiefs were also worried that once they came fully to represent the enterprise, their burden would become too heavy to handle. Some said: "What I am afraid of is not representing the state, but just representing the enterprise." As a representative of the state, if I do things badly I can lie on the back of the state. If I only represent the enterprise, life will not be so easy. I have to take into consideration what gets handed over to the state, what is issued to the staff and workers, what is retained by the enterprise for expansion... if a problem crops up in any of those spheres, I am in trouble."

In our opinion, if the factory chief represents only the factory, and has a single identity, this signifies a further separation between the enterprise and the state's administrative organs. This is a highly significant step, and a difficult one. In association with this step, there must be a further deepening of reforms in China's cadre system, workers' congress system, and a whole series of state systems for regulating, directing, and supervising enterprises. Conditions must be created for this stage of the reform in the spheres of ideology, policy, and concrete measures.

Looking at the current situation, the main issues affecting this reform are as follows:

First, the majority of enterprises have still not obtained the autonomy they should have. Some of the autonomy which the central government has decreed should be given to enterprises continues to be retained by urban administrative departments at various levels. In the current fight against new unhealthy tendencies, some of the autonomy already agreed to be given to enterprises has been taken back wholesale, inhibiting the initiative of these enterprises. Due to the fact that rights and interests have not been given to them, factory chiefs generally do not realize the necessity for them to represent enterprises. In our opinion, if this autonomy is not given to enterprises, factory chiefs cannot be established as representatives of those enterprises. Therefore, the giving of management autonomy to enterprises constitutes the basis of establishing the role of factory chiefs. Naturally, at the same time it is also necessary to strengthen the supervisory function of taxation, banking, and auditing department over enterprises.

Second, the factory chief responsibility system has not yet been wholly popularized. Though some enterprises have partially adopted factory chief responsibility system methods, this has been done under the leadership of the party committee, and the factory chiefs have therefore not yet become fully aware of the significance of representing the factory and all of its staff and workers. As long as there is no clear division between party and state, it is difficult to make a genuine transition to a situation in which the factory chief represents the staff and workers, and is responsible as such to the state for the management of the enterprise.

Third, another prerequisite for the establishment of the factory chief as representative of the enterpriss is the strengthening of democratic management on the part of staff and workers, and the clear definition of the rights, responsibilities, and status of the staff and workers in the enterprise. After the introduction of the factory chief responsibility system some factory chiefs continue to see the workers' congress as a rubber stamp organ; they are unable to handle properly the relations between master and public servant, and are therefore unable genuinely to carry out the reform of factory chief becoming the representative of the enterprise. We feel that in order to carry out this reform in a relatively stable manner, the status of staff and workers as masters of the enterprise should be stated clearly in regulations; their rights should be clarified, and supervision by staff and workers over the factory chief should be strengthened.

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PRC JOURNAL ON ENTERPRISE LEADERSHIP SYSTEM REFORM

HK290002 Beijing JINGJI GUANLI in Chinese No. 10, 5 Oct 85 pp 22-25

[Article by Ji Zhong [4764 0022]: "Who Should Exercise Decision-making Powers in State-owned Enterprises?--A discussion of reform of the leadership system in enterprises"--edited by Liu Qichang [0491 0366 2490]]

[Text] Who should exercise decision-making powers in enterprises owned by the whole people (hereafter referred to as state enterprises)? A relatively widespread view at present is that once a state enterprise has implemented the leader responsibility system, the leader is entrusted by the state to carry out unified leadership over that enterprise's production, management, and administration work, for which he or she is wholly responsible. Therefore, the decision-making powers in an enterprise should be exercised solely by the leader. In my opinion, this is an issue worthy of consideration.

Who should exercise the decision-making powers in state enterprises? This is both a theoretical problem and one which must be solved in practical work. It has a bearing on what kind of enterprise leadership system China will eventually establish. This article will discuss the issue from four aspects.

1. The question of who should exercise decision-making powers in state enterprises is a basic one which must be answered in the reform of the enterprise leadership system

The "decisions" of the 3d Plenary Session of the 11th CPC Central Committee not only set out the great program for the reform of China's economic system, but also clarified the direction in which the establishment and perfection of the leadership system in socialist enterprises with Chinese characteristics should go. It clearly pointed out that "strengthening the vitality of enterprises is the central link in the reform of the economic system." At the same time, it pointed out that based on this central link, it was necessary to establish the correct relationship between the state and the enterprises and between the enterprises and its staff and workers, and stated that this was an essential part and a basic demand of the reform of the economic system centered on the cities. Meanwhile, the

leadership system in socialist enterprises constitutes the linking point in relations between the state and the enterprise and the enterprise and its workers, and embodies both of these relationships. Therefore, the correct definition of a socialist enterprise leadership system, and the proper handling of the above two relationships, is an important issue with a bearing on the success or failure of the entire economic system reform.

An enterprise is not an abstract concept, but an entity participating in economic activity. It is not only a place in which social forces of production are created and exercise a direct role, but a direct manifestation of social relations of production, and a microcosm of the socioeconomic system. Meanwhile the enterprise's leadership system to a certain extent epitomizes certain interpersonal production relations, which includes mainly the question of who constitutes the principal figure, or subject, of an enterprise? Who controls the enterprise's means of production, and who makes the decisions about its production management?

In capitalist enterprises, the owner of the means of production (the independent capitalist, or the company's shareholders, etc), is the principal figure of the enterprise, and at the same time the person who controls the means of production and makes decisions about its production management. The laborers, on the other hand, are simply people hired by the owner, the "objects" of the enterprise. Therefore, the leadership system in a capitalist enterprise is bound to be manifested in the owner of the means of production dominating the production laborers. Though some capitalist enterprises, in order to try and ameliorate the class struggle, have adopted such methods as "worker investment" and "worker participation in management," none of this can change the position of workers as being dominated and exploited.

In socialist enterprises, due to the fact that the socialist system has basically eliminated the exploitation of man by man, the laboring people have become the masters of society and the means of production, and therefore the broad masses of staff and workers in an enterprise are both producers and managers, and must by the same token be the subject of that enterprise, in the position of master. However, it must also be realized that on the one hand, socialist enterprises are divided into whole-people-owned and collectively-owned enterprises; and on the other hand, there exist different management forms in different state enterprises. Therefore, the status and function of laborers can differ widely in different enterprises. In a collective enterprise worthy of the name, the staff and workers are both production workers and the owners of the means of production. Therefore, they are the subject of the enterprise, and at the same time the controllers of the means of production and the decision-makers in production management. There can be no debate on this point. In state enterprises, which constitute the dominant part of the socialist system of public ownership, there are however some differences in the situation. The means of production in a state enterprise is owned by the whole people, while the state as the representative of the people

exercises ownership rights over those means of production. The enterprise's staff and workers constitute a portion of the whole of the laboring people, and so stating from an overall point of view, they are the masters of that enterprise's means of production. But from the partial viewpoint of the enterprise, are they the subjects of the enterprise? How much power do they have to control its means of production? How much decisionmaking power do they have in its production management? On this issue, people's thinking is not entirely unified, while in practice, concrete measures adopted differ widely. All of this cannot but affect the establishment and implementation of an enterprise leadership system.

2. The multilevel nature of the substance of policy decisions in a state enterprise, and the variety of management dictate that the decision-making rights in such an enterprise cannot be exercised solely by the leader.

First, the substance of policy decisions in a state enterprise is multi-level in nature. On the basis of their importance to the whole of the national economy and to the enterprise itself, policy decisions can largely be separated into the following three levels: first, decisions which directly affect the national economy and the people's lives, and which have an important influence of the overall national economic situation; second, decisions which directly affect the future and fate of the enterprise, and which have an important influence on the existence and development of that enterprise; and third, decisions on daily production and management activities which have a direct effect on the normal development and economic efficiency of the enterprise's production.

Obviously, first-level decisions, that is, those strategic decisions concerning the long-term development of the enterprise, should be made by the state or the enterprise's leading organ which is entrusted by the state. For example, on questions such as the technological transformation of, or renewal of major products of some large-scale backbone enterprises, decisions may be put forward by the enterprise, but the decision-making power can only belong to the state. Again, important decisions on the construction of state enterprises, or on their starting, ceasing, or shifting production, can only be taken by the state or by the leading organ of the enterprise. Those policy decisions belonging to the second level, that is strategic enterprise management decisions, should also be made by a decision-making group headed by the factory head. For example, important questions concerning the existence and development of an enterprise and the personal interests of all its staff and workers, such as mid-term plans, annual plans, and technological transformation, must be discussed by the staff and workers, and a collective decision made, while some may also be submitted to the enterprise's leading organ which will carry them out after approving them. Third-level decisions, that is, those concerned with the daily production management activities of the enterprise, must naturally be taken by the factory chief. Whichever level of decision it is, as soon as it is decided, the power to carry it out must be exercised by the factory chief (or manager). From this we can

see that the view that after a "leader responsibility system" is introduced, generally speaking all decision-making rights are exercised by that leader, is not precise enough.

Second, there are many different forms of management in state enterprises. Generally speaking, there exist the following three forms: First, the state owns and directly manages the enterprise; we may call this "state-owned, state-run." At present, enterprises in the railway, post and telecommunications, defense, and civil airline sectors, all basically belong to this category. Second, the state owns, and entrusts the enterprise's leading organ with management: we may call this "state-owned, mass-managed." At present, there are a vast number of enterprises which have adopted this form of management. Third, the state owns, and contracts or hires out to individuals to manage: we may call this "state-owned, privately-managed." With the development of the reform of the economic system, there will be an appropriate increase in enterprises adopting this management form.

Clearly, the multifarious nature of management forms will inevitably lead to complexity in the sphere of enterprise decision-making powers. And this complexity is manifested mainly in policy decisions on important questions in "state-owned, mass-managed" enterprises. Because in any state enterprise, no matter which management form it adopts, decision-making powers concerning the day-to-day production of an enterprise will belong to the factory chief: this cannot be doubted. In "state-owned, state-run" enterprises, strategic policy decision should be made by the state: and in "state-owned, privately-managed" enterprises, all decision-making power over production and management is exercised by the contractor or tennant: This is not open to debate either. Therefore, the discussion below will concentrate on who should exercise decision-making powers in "state-owned, mass-managed" enterprises on important questions which affect the existence and development of the enterprise and the personal interests of its staff and workers.

It must be made clear that "state-run" [as published] and "mass-managed" refers to a situation in which, with no change in ownership, the state entrusts the enterprise to the whole of its staff and workers to run directly, and the whole of its staff and workers are responsible to the state. First, since it is entrusted to all the staff and workers, it is not entrusted solely to the individual who is the factory chief. In this sort of enterprise, the whole of the staff and workers, including the chief, constitute the enterprise's legal body, and should all take on its legal rights and duties. The factory chief can only be the legal representative. Second, since it is all the staff and workers who are responsible to the state, and not only the factory chief, then all of the staff and workers, including the factory chief, should be responsible to the state for the results of production and management. On the principle of mutual linkage between responsibilities, rights, and interests, the whole of the staff and workers (including the factory chief) should bear a common responsibility for the enterprise's production and management, and exercise common control over its means of production and common

decision-making powers over its production; they should enjoy in common those material benefits and spiritual incentives which are due to them. Since responsibilities and rights must be consistent with each other, the power to make decisions on important questions in such an enterprise cannot be exercised by the factory chief alone, but can only be exercised by the entire workforce.

3. The status of the workforce as the masters of a state enterprise dictates that they must enjoy decision-making rights over production management

The "decisions" of the 3d Plenary Session of the 11th CPC Central Committee pointed out that "the source of vitality in an enterprise lies in the initiative, wisdom and creativity of its mental and manual laborers;" "the urban economic system reform must involve a correct solution to the relation ship between workforce and enterprise, such that staff and workers become genuine masters." This is a basic principle which must be followed in our discussion of the issue of decision-making powers in enterprises, and even in our reform of the leadership system. Under a socialist system, the staff and workers are the masters of both the state and the enterprise; in socialist enterprises, they are both producers and managers; they are the subjects of the enterprise. This basically establishes the position of staff and workers in a socialist enterprise as its masters.

One important manifestation of the position of staff and workers as masters of an enterprise is the fact that they should enjoy decision-making power over production and management decisions. Whether or not they have this decision-making power is an important indication of whether or not they are the masters of that enterprise.

But what paths should workers take, what methods should they use in which to participate in policy decisions on important questions? In state enterprises, participation should be through a workers' congress and through strengthening democratic management.

A workers' congress is an effective form of carrying out democratic management in an enterprise. Since in state enterprises the workers take collective responsibility for production and management, it follows that the workers' congress must inevitably become the organ of highest authority in the enterprise, and exercise decisionmaking powers on behalf of all the staff and workers. If it acts merely as an advisory organ to the leaders of an enterprise, or a supervisory organ over those leaders, or functions as an organ which approves decisions made by the factory chief, it cannot express the fact that its staff and workers are the subjects, and the legal body, of the enterprise, and will then in fact negate the position of the staff and workers as masters with decision-making powers.

Some comrades consider that workers' representatives come from specific working positions, and are not sufficiently familiar with the overall picture of the enterprise, making it very difficult for them to come to correct decisions about issues which affect the whole enterprise; other comrades are of the opinion that if production decisions are made by a workers' congress, this may influence efficiency, or even prevent the factory chief rom exercising his powers of direction; yet other comrades, meanwhile, think that what a workers' congress would be most concerned about would be material interests, with no interest in the management of the whole factory. My personal opinion is that the above views are all worth studying. There are three peices of reasoning I would put forward here: First, though each workers' representative will have a possibly incomplete understanding of the whole enterprise, since the representatives are drawn from the whole workforce, they form an organic whole which concentrates the opinions, demands, and wisdom of the entire workforce, and are entirely able to make correct policy decisions on the production and management of the enterprise. Second, the workers' congress only makes decisions on important questions concerning the existence and development of the enterprise and the personal interests of its staff and workers, and only meets once or twice a year, so this cannot possibly affect the guidance of the factory head over day-to-day production activities. Third, though a small number of worker representatives are concerned solely with material interests, they do not form the basis or main part of a workers' congress. With regard to this minority, as long as we thoroughly carry out the work of strengthening ideology and education, they will also begin consciously and conscientiously to shoulder the burden of decision-making.

In a state enterprise, whether staff and workers really participate in decision-making activities, or really enjoy the right to exercise decision-making powers, is an important criterion for whether they genuinely enjoy the status of masters. Of course, this is not the sole criterion; another is whether or not they have the right to elect and supervise leading personnel.

4. When carrying out the leader responsibility system, the principle of democratic centralism must be followed. A model of administration by specialists on the basis of democracy must be adopted.

The practice of many enterprises has not proved that the leadership responsibility system is relatively appropriate to China's situation, beneficial to the centralized and unified form of enterprises, beneficial to the timely and correct implementation of an enterprise's production decisions, and beneficial also to the modernization of enterprises. This should be confirmed. But, just as the "decisions" pointed out, "a modern enterprise must have centralized, unified leadership and guidance," and at the same time "it must also steadfastly guarantee that the staff and workers and their elected representatives participate in democratic management rights. Under socialist conditions, the rights of the leader in an enterprise are at one with the status of the laborers as its masters,

and in line also with the initiative and creativity of the laborers. This unity is an essential prerequisite for the laborers to correctly and effectively bring their initiative into play." In my opinion, if this unity is to be expressed in organization, there must be established in enterprises a leadership system which is both democratic and centralized. That is to say, there must be established, on the basis of democratic management, a leadership responsibility system, such that on important questions democratic decisions are made, and on questions of day-to-day production unified and highly centralized guidance is carried out.

Comrade Zhao Ziyang has also pointed out that at the same time as implementing the leader responsibility system, "it is necessary to adopt a series of effective measures to fully ensure that ataff and workers participate in the democratic management of the enterprise, to perfect the workers' congress system, which will play its role in deciding on important policy issues, ensuring workers' rights, and so on, and will thereby fully embody the status of the working masses as masters. This is an important hallmark of our socialist enterprises, and one which cannot be ignored."

Once a leader responsibility system hvs been introduced, an enterprise must strengthen its centralized, unified guidance system, headed by the factory chief, but it must absolutely not let "all powers belong to the factory chief" including decision-making powers over important questions. Just as I have said before, only the daily production decision-making rights should go to the factory chief, while those important strategic management decisions which affect the national economy or the fate of the enterprise itself cannot be made solely by the chief. This is due not only to the fact that the production, management, and technology of a modern enterprise are highly complex, and as a factory chief one must believe in the masses, rely on the masses, and pool the wisdom of everyone. Basically, it is due to the fact that the status of the staff and workers as masters dictates that they must participate in the enterprise's important strategic decisions. Therefore, a leader responsibility system should, on the basis of a high degree of democratic centralism, thoroughly embody the demands of the principle of democratic centralism.

What is being discussed in connection with the leadership responsibility system is this: The questions of the status of the factory chief created by the different management forms in state enterprises, along with decision-making rights, deciding on the powers that an enterprise leader should have, and so on, in fact have a bearing on the question of what sort of model should be followed when China establishes a leadership system. Academics at home and abroad have made a number of different analyses of models of leadership systems in socialist enterprises. There are three relatively popular models: First, the highly centralized model, second, the democratic control model,and third, the specialist management model. Based on the spirit of the "decisions," I consider that the future model for a leadership system in China should be specialist management on the basis of democracy; that is, the state will entrust the enterprise

to its entire workforce to manage, the workforce will gain management rights over the usage of this portion of the means of production, will exercise decision-making rights on important issues, and the right to select that enterprise's leaders; this is the embodiment of socialist democracy in an enterprise. This sort of democracy by no means excludes the function of centralized and unified guidance on the part of specialists in the decision-making process. On the contrary, this sort of broad democracy in an enterprise establishes a solid mass basis for specialist management, ensures the feasibility and correctness of the specialists' policies, and ensures also the free running of the centralized, unified guidance. At the same time, due to the fact that those important strategic decisions with a bearing on the national economy and the people's lives must be examined and approved by the state, this system also ensures that the enterprise is subordinate to the unified guidance of state plans in the macroeconomic sphere. In my opinion this is a relatively ideal model which is able to deal correctly with the relationships between the state, enterprise, and worker.

Summing up the above, it is not difficult to see that decision-making powers touch on the question of what kind of leadership system model is to be set up in China. The view that no matter how big or small an enterprise is, no matter what importance each decision has, or whether or not it affects the national economy and the existence and development of the enterprise, all decision-making powers should be in the hands of the factory chief, is not scientific or appropriate enough. It has no theoretical or scientific basis, nor does it entirely suit the actual situation in China's enterprises. In my opinion, the correct answer to this question should be as follows: in accordance with the principles of seeking truth from facts and giving concrete answers to concrete problems, with the prerequisite of guaranteeing both the authority of the leader and the status of the laborers as masters, the decision-making rights over daily production and management activities in state enterprises should be exercised solely by the factory chief, while strategic decisions concerning enterprise management should be discussed and decided upon collectively, thereby carrying out democratic decision-making on the basis of democratic management. This is an important hallmark of socialist enterprises, and one which cannot be ignored.

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BRIEFS

ZHEJIANG ADJUSTS ECONOMIC STRATEGIES--Recently, the Zhejiang provincial bureau of township enterprises determined the guiding ideology for the development of township enterprises as follows: (1) to shift from mainly relying on loans to mainly relying on capital accumulated by the enterprises themselves; (2) to shift from emphasizing extensive growth of production to intensive growth; (3) to shift from emphasizing speed and on output value to comprehensively improving economic results and enforcing the combination of speed with results; (4) to shift emphasis from current concrete tasks to macroscopic guidance, sorting out the interrelationship between various aspects and emphasizing the development of techniques and talents. [Text] [Hefei ANHUI RIBAO in Chinese 27 Aug 85 p 1] 9255

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WAYS TO REVITALIZE ECONOMY WITHOUT EXPANDING CREDIT DISCUSSED

Beijing JINGJI RIBAO in Chinese 25 Oct 85 p 2

[Article by Liu Hongru [0491 7703 0320], vice president of People's Bank of China: "Revitalize Economy Without Expanding Credit"]

[Text] This year, as a result of the tightening of macroeconomic control by the bank, some places have shown signs of fund stringency. As a matter of fact, tightening control of funds by the bank has only kept a firm hold on the scale of loans and restricted the extension of loans not included in the plans and has not affected normal economic life. Take the loan operations in the preceding 9 months, for instance, by the end of September this year, the amount loaned showed an increase of 29.1 billion yuan as compared with the beginning of this year while the same period last year registered an increase of only 15 billion yuan. Some places may have experienced some stringency in funds while fund stringency is nonexistent in some other places and some places have more money than they can spend, thus here lies an issue of flexible allocation and transfer of funds.

To solve the contradiction between the demand and supply of funds, it is imperative to strengthen enterprise management, economize the use of funds and raise the effectiveness of fund utilization. Premier Zhao Ziyang pointed out at the party congress that in arranging for the Seventh 5-Year Plan, it is necessary to take issues into consideration in three areas: 1) the scale of investment in fixed assets must be put under strict control; 2) effective preparation must be made for revitalizing the economy hereafter and steps must be taken to create conditions and keep some momentum and bring up energy, transportation and capital construction; 3) the people's living standard must be elevated, the speed of construction must be neither too fast nor too slow. Where does the money come from? Relying on increasing the currency supply will inevitably lead to inflation, so this way will not work; nor can we rely on excessive borrowing of foreign capital. The way out is in strengthening enterprise management and improving economic results. To this end, two issues should be solved in the main: 1) raising the quality of products; 2) reducing material consumption. The bank has a task to perform in this connection, in other words, besides helping enterprises to reduce consumption of raw materials and fuel and the amount of funds appropriated, the bank must at the same time encourage improvement in the quality of products. Of the cost of products turned out by enterprises at present, raw material consumption accounts for approximately 75 percent, wage and welfare disbursements about 10 percent,

and major overhaul, depreciation, interest payments and other management expenses about 15 percent. Thus, a 10-percent reduction in raw material and fuel consumption will be a substantial figure. This is in keeping with not only immediate needs but also long-term needs. The bank should do its utmost to make this work a success. Only by so doing can we revitalize the economy without issuing more currency and expanding the scale of credit. Besides readjusting the structure in regard to the source of funds, we should also readjust the structure of funding. While exercising control of the scale of credit, we should also support the production and procurement of farm produce and sideline products, export commodities and goods in great demand but acutely short in the market and at the same time exercise strict control over loans for investment in fixed assets and restrict the production of products having poor economic results and not in demand in the market. We should make the best use of funds where they are most needed, minimize irrational appropriation of funds and deal with each case on its merits by supporting it, restricting it or denying it. As conditions vary from area to area and enterprise to enterprise, we should strengthen investigation and study specific policies and measures separately.

A more salient issue in controlling the scale of credit at present is that by ensuring their self-financed capital construction projects through various channels, some localities and enterprises have created a substantial gap as far as circulating funds and procurement funds are concerned. This amounts to a seesaw battle, as a bank must ensure the funds for fixed purchase of farm produce and sideline products but must also study how to recover in an organized way the procurement funds it has allocated. The current situation is: The bank lends the money to the supply and marketing cooperative for the purchase of farm products and sideline products, the peasants after receiving the money paid for the purchase deposit it in the credit cooperatives, the credit cooperative then use the money to meet the needs of rural and small town enterprises and other areas. The results are that while the bank has the loans to rural and small town enterprises under control, the credit cooperative is making loans more available. The bank tightens control and the credit cooperative loosens it; when loans for fixed assets are under control, circulating funds again are used for fixed assets; while the loans were under tight control, deposits again dropped by a wide margin. We should conduct an in-depth investigation, study the new situation and new methods, adopt specific and effective measures and tap the fund potential so as to revitalize the economy without expanding the scale of credit.

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SHANDONG BANK MAKES FLEXIBLE USE OF CREDIT FUNDS

Beijing JINGJI RIBAO in Chinese 25 Oct 85 p 2

[Article by Sun Yong [1327 0516]: "Shandong Industrial and Commercial Bank Regulates Credit Funds Flexibly--Funds Totaling 11 Billion Yuan Allocated and Delivered in the Preceding Three Quarters Registering 94.4-Percent Utilization Rate"]

[Text] The Shandong Provincial Industrial and Commercial Bank has regulated funds flexibly in spite of the strained situation in the demand and supply of credit funds this year by taking advantage of the time and space differences involving the use of funds. Between January and September this year, departments of the bank allocated and delivered funds totalling 11 billion yuan on more than 250 occasions at a fund-utilization rate of 94.4 percent, accomplishing the task basically without any error or backlog by making effective use of the credit funds.

In allocating and delivering funds, the Shandong Provincial Industrial and Commercial Bank has mainly relied on expeditiously grasping information and making use of the time difference rationally. This year they set up a "daily report system" on credit funds in general within its banking system so that the provincial branch bank can keep itself readily informed about the demand and supply of funds in various areas and forecast the trends of changes. With regard to funds already included in the plan, they are to be delivered whenever needed while idle funds not being used temporarily are to be centralized in the provincial branch bank for unified regulation. The Shengli Oilfield is a large enterprise using an enormous, fluctuating amount of funds. During the second and third quarters this year when its demand for funds was greater, the provincial branch bank, after analyzing and forecasting the situation, expeditiously used the idle funds of other cities and prefectures which were not being used temporarily to help the Shengli Oilfield solve the shortage of funds in the amount of 250 million yuan.

The provincial branch bank has also adopted different ways of allocating and delivering funds and selects the best time to make the transfer. Influenced by communication and management factors at present, it has become more noticeable that it takes a longer time for funds in transit to reach the destination and more funds are tied up. In the spirit of reducing idle funds, minimizing fund tieups and making quick turnover, the provincial industrial and commercial bank has adopted different ways according to different

conditions to allocate and transfer funds flexibly, such as by cable transfer, transfer by telephone and letting customers carry their own mail transfer and by choosing the best time to make the transfer. Completing the transfer of funds and crediting the transferred funds for use on the same day has basically done away with the piling up of funds in transit. Along the line of allocating and transferring funds, attention has been paid to taking advantage of the space difference by combining lateral with vertical allocation and transfer. This year, in compliance with the circular of the main office of the Industrial and Commercial Bank, they allocated and transferred more than 1 billion yuan in funds successively to 8 provinces and cities including Zhejiang, Yunnan, Shanghai and Shanxi. As a result of using the method of direct allocation and transfer and settling the account at one end, the overstocking of funds due to circuitous routing has been minimized.

In the course of regulating funds, the Shandong Provincial Industrial and Commercial Bank has paid attention to strengthening internal cooperation and mutual coordination. This year the state has imposed on the bank measures to control the credit balance and the scale of credit. For this reason, in regulating funds, it is necessary to flexibly readjust the scale of credit based on where the loans are to be used. By adopting the method of letting the credit department determine where the loans are to be used, the planning department take charge of allocation and transfer of funds and the accounting department take care of the necessary procedures, the Shandong Provincial Industrial and Commercial Bank has streamlined internal coordination of work and ensured smooth allocation and transfer of funds and to a certain extent eased the contradictions arising from the strained demand and supply of funds this year.

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FINANCE AND BANKING

SHANGHAI TO SET UP STOCK TRADING COMPANY

Hong Kong TA KUNG PAO in Chinese 4 Nov 85 p 1

[Text] Shanghai, which once boasted China's largest stock exchange, has taken the first step toward restoring it by setting up a company that will buy and sell shares, a municipal government spokesman said on 2 October, according to Reuters.

Wang Mingyang [3076 2494 2254], the spokesman, disclosed that the new firm had been approved by the municipal government and would begin operations by the end of this year. It will act as an agent for people wishing to buy and sell shares issued by local state-run firms.

"This is an experiment," Wang siad. "We want to improve the circulation of money and raise capital for production, but we will not allow the speculation and profit-making that characterize Western markets." Shanghai's large and lively stock market was closed after 1949.

In the past 2 years, 13 firms in Shanghai have offred shares worth about $6.25 million. Shareholders have been allowed to sell such acquisitions privately with the acknowledgement of the firms, but public trading is forbidden. The new firm, operating under the Industrial and Commercial Bank, will bring together buyers and sellers and arrange deals between them. The biggest share issue so far was about $1.5 million sold early this year by the Shanghai Yanzhong Business Co, a trading and industrial firm.

"My shares were sold out in 6 hours because they gave a better return than bank deposits," said Zhou Xingrong [0719 5281 2837], the firm's chief executive. "Many young buyers were interested in the prospect of both interest and dividends. The return comes to 15 pecent a year compared to 7.2 percent for fixed-term savings deposits, which is now an inadequate hedge against inflation."

Zhou stated that this kind of share issue increased the funds available to firms and thus boosted their productive capacity.

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BRIEFS

INSPECTION UNCOVERS ILLEGAL MONEY--A responsible person of the taxation, financial affairs and price inspection office of the State Council disclosed to this reporter on 6 November that as the nationwide taxation, financial affairs and price inspection gradually deepens, initial results have been achieved in self-inspection by enterprises and inspection in selected localities has also begun. According to incomplete statistics, by mid-October 3.51 billion yuan derived from various forms of unlawful activities have been determined, of which 1.21 billion yuan have been delivered into the state treasury. Large-scale inspection work has also been comprehensively carried out in various central departments, many departments have voluntarily repaid sums that should have been delivered to the treasury. The Agricultural Bank of China has paid up a 50-million-yuan surplus from 1984 under various accounts, the Civil Aviation Administration has paid up more than 30 million yuan in construction funds for key energy and transportation projects. On 4 November, the taxation, financial affairs and price inspection office of the State Council dispatched inspection teams to assist in inspection in some central departments. This responsible person emphasized that November and December are the crucial months for making a thorough investigation on various cases in violation of discipline, and that efforts should be made to continue the inspection work and make it a success. He called for inspection of selected localities to ensure that no less than 40 percent of selected localities should be inspected. With regard to central-level enterprises in various localities which have not been checked by work teams as none were sent by the central departments or which were not checked thoroughly, the localities should send inspection teams over to inspect them by concentrating on the foreign trade, banking and grain departments and large and medium enterprises. [Text] [Beijing JINGJI RIBAO in Chinese 7 Nov 85 p 1] 12662/12947

CSO: 4006/265

FUJIAN SCORES NOTABLE SUCCESS IN INDUSTRIAL DEVELOPMENT

Fuzhou FUJIAN RIBAO in Chinese 30 Sep 85 p 1

[Article by Chen Wu [7115 2976] of Fujian Statistical Bureau: "Fujian Scores Notable Success in Industrial Development During Sixth 5-Year Plan Period--Reform and Opening to the World Bring Vitality; Heavy and Light Industry Gradually Take Course of Proportionate Development with Output of Two-Thirds of Products Reaching Planned Targets and Higher Economic Results Following 5 Years of Readjustment"]

[Text] Fujian's industry has scored great success during the Sixth 5-Year Plan period under the impact of the reform and opening to the world.

The total industrial output value of 1985 (the Sixth 5-Year Plan does not include village-run industry and industry below the village level) is expected to register an increase of 90.2 percent over that in 1980, averaging an annual increase of 13.7 percent or 6.5 percent higher than the target set for the Sixth 5-Year Plan period. After 5 years of readjustment, divisions of the heavy and light industries have gradually embarked on a more proportionate course of development. In keeping with the rising living standard of the urban and rural population, light industry has energetically readjusted the product mix, increased the production of marketable products, output value registered an average annual increase of 14.9 percent surpassing the growth rate of 11.7 percent for heavy industry during the same period. This shows that the target put forth at the fourth provincial party congress of quadrupling the gross industrial and agricultural output value 5 years ahead of schedule is achievable.

The output of two-thirds of the products achieved the planned targets. Besides fulfilling 1 year ahead of schedule the targets set forth in the Sixth 5-Year Plan with regard to the output of 20 major industrial products listed in the Sixth 5-Year Plan in 1984, including canned goods, machinemade paper and cardboard, television sets, raw coal, electricity, rolled steel, iron ore, coking coal, troilite, nonferrous metal, synthetic ammonia, chemical fertilizer, medical apparatus and instruments, unprocessed timber, plate glass, metal-cutting machine tools, automobiles, walking tractors, internal-combustion engines and microcomputers. It is estimated that another 12 products, including woolen yarn, sugar, cigarettes, bicycles, tape recorders, pig iron, caustic soda, rubber tires, chemicals, cement, cameras and electronic computers will reach the targets under the Sixth 5-Year Plan.

Economic results have also improved to some extent. Enterprise management has improved and economic results raised to some extent with the consolidation of the enterprises and the implementation of the economic responsibility system. Energy consumption in relation to industrial output value per 100 million yuan has dropped from 66,900 tons of standard coal in 1980 to 53,100 tons in 1984, it is estimated that it will drop to 51,000 tons in 1985. The targets of full labor productivity and the turnover of fixed-quota circulating funds in terms of the number of days are expected to meet the demands prescribed in the Sixth 5-Year Plan.

The achievements of Fujian's industries during the Sixth 5-Year Plan period are principally due to the reform and open door policies conscientiously carried out by the people throughout the province:

With the development of the restructuring of the rural economic system, bumper harvests have been reaped in successive years and the percentage of marketable products has also risen markedly, thereby providing more and more raw materials and a vast market for industrial development. Between 1981 and 1984, the industrial output value derived from using farm produce and sideline products as raw materials registered an average annual increase of 9.2 percent.

The restructuring of the urban economic system has given industrial enterprises added vitality. During the Sixth 5-Year Plan period, the restructuring of the urban economic system centered around enhancing enterprise vitality has fanned out from selected points to general areas giving impetus to industrial production.

In spite of the considerable success achieved in Fujian's industrial development during the Sixth 5-Year Plan period, some problems have cropped up that merit our attention. For instance, there is a lack of coordination within heavy industry, the growth of the manufacturing industry far exceeds that of the excavation industry and the raw material industry; in spite of some progress, the technological transformation of industrial enterprises and the importation of advanced technology still cannot keep abreast of the demands of the situation, particularly in digesting and absorbing imported technology; the industrial product mix is still lagging behind the needs stemming from changes in the consumption structure, and so forth.

We must from now on strive to improve quality and raise effectiveness by centering on raising economic results. We must do away with the practice of stubbornly competing for faster growth and concentrate on technological transformation of the old enterprises so that production will develop and economic results will improve on the basis of technological progress.

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DEVELOPMENT OF CHINA'S TEXTILE MILLS STUDIED

Shanghai FANGZHI XUEBAO [JOURNAL OF CHINA TEXTILE ENGINEERING ASSOCIATION] in Chinese No 8, Aug 85 pp 62-64

[Article by Ma Lian [7456 6647] of Dalian Light Industry Academy: "On the Development Trend of China's Textile Mills"]

[Text] (Abstract) Based on current economic activities, the writer attempts to explore the development trend of China's textile mills from seven different aspects, namely, the size of mills, the varieties of products, the choice of equipment, the types of factory buildings, the dimensions of the pillar networks, air-conditioning, and computer monitoring.

The large-scale development of textile industry has been the main feature of the second wave and has led to fundamental changes in the industrial structure. This is a historical achievement which can never be obliterated. Now the third wave is pounding at the world. Under such conditions, how will the textile industry be developed and what will be the trend of new designs for China's textile mills? This article will attempt to explore this question.

I. Size of Single Mills

Now that the industrial society is developing into an information society, its economic activities are featured by the shift from high centralization of decentralization in small units. In China of the 1950's and 1960's, most cotton mills had 50,000 or 100,000 spindles and performed all the functions as separate and complete units. These mills have become rare in recent years, since the larger ones have found it difficult to cope with the many changes in their product varieties. According to the statistics on a survey conducted in Japan, (Footnote 1) (MIANFANGSHI JISHU [COTTON TEXTILE TECHNOLOGY], 1983, No 8, p 59) there were 14,738 textile enterprises in a certain prefecture. These enterprises had 114,940 workers, averaging 7.8 workers per enterprise. "Small size and high flexibility" are the main features of these enterprises. After the 1970's, every county in China has its own textile mill or mills. This is an outcome of the prevailing conditions. Because of their small size, however, the regular textile design institutes would not accept any task from them, with the result that problems exist in varying degrees regarding their

technical procedures and factory structures. Thus soon after their establishment, they would be faced with the task of "altering the plant." This is one of the problems overlooked in an earlier stage of China's textile development. Now should be the time for the small mills to be "recognized" and included in the relevant plans, and the restrictions concerning size in examination and approval should be reconsidered. Furthermore, there should be certain design units to undertake the design task for small mills or to provide consultation and offer relevant views so that these small mills could make better use of their investment.

As to the size of mills, since single mills will be further developed in the future, it would be desirable for each of them to have 20 to 100 looms. This size will be adequate for the requirements of varieties and easy to manage. According to the viewpoint of size economy (Footnote 2) (Etsugo Waden, "Kibo No Keizaisei" [The Economic Nature of Size] (Japanese)), there is one smallest and most suitable size. Its value varies according to different varieties, raw materials, and factory sites, and should be concretely analyzed according to concrete conditions.

II. Varieties of Single Mill Products

Another feature in the current economic developments is the development of state economy and national economy in the direction world economy. The total number of spindles and looms in China is the largest in the world, but the competitive power of its textile products is very low in the world market. The main problem is with the variety and grade of products. China produces mostly low- and medium-grade products, but very little high-grade ones. Among the worsted fabrics produced for exports which should be rated as high-grade products, only a few are up to the standards required for dress suits. As for raw materials, China's natural fibers, especially its cotton output, rank first in the world. Natural fiber products are now continuing to gain popularity in the world market, and we should take full advantage of this opportunity by stepping up our in-depth processing of these products. Now let me take a small mill in Japan for example. This mill has 148 looms, 3 warping machines, and 1 sizing machine, and produces 11 varieties of products. One of them is 30-count plain weave and the rest are 50 to 135-count ply yarn products of various types, 188 x 99 threads/inch. These low-count and high-density natural fiber products are quite competitive on the international market. China has rich labor resources and should have no problem in stepping up its in-depth processing or producing high-grade products in view of its abundant manpower. The problem it will encounter is that of technology and the standard of operation, and this is precisely the problem that urgently needs solution, especially under the new conditions. At present, great efforts should be made in training workers and it is believed that these efforts will help us meet the challenge. Furthermore, we have to increase our specialty and should concentrate its efforts on one or several varieties, especially the products of natural national styles and traditions. Attention should also be paid to highlighting their special features.

III. Choice of Mill Equipment

Machinery has the special characteristic of continuing to become advanced, but we did not fully recognize this fact in the past. Although very great improvement has been made in our textile machinery during the past 30 and more years, we are still lagging far behind international developments. The textile machinery China now produces is only equivalent to what was produced in the world during the 1940's and 1950's. The 600,000 looms in China are still mainly automatic shuttle-changing looms of 1511 Model. We have imported a small number of shuttleless looms in recent years, but are still unable to manufacture them ourselves. Such conditions are inconsistent with developments in the textile industry in the world. The standards for looms to be purchased in the 1980's in foreign countries (Footnote 3) (CANADIAN TEXTILE JOURNAL, 1982, No 4, pp 38-40) are: picking motion, 500-600 per minute; efficiency, more than 95 percent; defects, less than 1 percent; noise, less than 90 decibels (A); general cost (including costs of energy and labor), low; per-unit factory area output, high operation, convenient; and competitive power, to last 10 years. At the same time, the requirements of the dyeing and printing plants must be met, meaning basically no defects, requiring only little or no desizing, and using large winders for 2,000 to 3,000 m of fabric. Judged according to these standards, China's present looms are obviously very backward. The reason for this backwardness is that for many years, its hands were tied by the several hundreds of thousands of shuttle-changing looms, and no big step could be taken in updating the looms. In foreign countries, the equipment is generally updated once every 6 years, while in China, the depreciation period is more than 20 years. In fact, even the narrow-width looms discarded by the large mills are picked up and used by the enterprises run by communes and production brigades. The depreciation period is almost indefinite. Thus the expenses incurred in using these looms every year amount to about 73 percent of the cost of new looms, and 30 percent of these expenses are for maintenance. (Footnote 4) (FANZHI XUEBAO [JOURNAL OF CHINA TEXTILE ENGINEERING ASSOCIATION], 1982, No 5, p 57) Since these old looms are still not written off, the enterprises are likened to some people cherishing a tattered dress, and in wearing it, they have to buy 4 to 5 feet of new cloth to mend the torn parts every year. This situation is very irrational.

In Japan, those looms with shuttle-boxes or weft-take-up devices and shuttleless looms are called modern looms. Judged by this standard, Japanese looms in 1982 were 62.4 percent modernized (Footnote 5) (Yang Musenze [2799 4207 2773 3419] "Conditions of Modernization of Japan's Cotton Textile Equipment in 1982") while Chinese looms were less than 1 percent modernized. China can solve this problem only provided it can see this point clearly. For China, the main shortcomings of shuttleless looms are their high cost and their high energy consumption. However, if there is the determination to build shuttleless-loom manufacturing plants, and provided full cooperation of the machine-building industry and the military industry is available, this obstacle can certainly be surmounted. After all, the choice of equipment must be decided by the factor of modernization.

IV. Choice of Types of Factory Building

Since the 1970's, because of the energy crisis and the higher demand on quality, factory buildings of a sealed-off type were developed. In the 1970's, for example, 10 new textile mills built in the United States were all of this type. (Footnote 6) (TEXTILE WORLD, 1974, No 3, pp 105-143) Furthermore, the rise of land costs gave an opportunity for sealed-off buildings to gain further popularity. This situation was affirmed in the past several years, and recently, foreign countries have introduced a new concept--the optimal "envelope" concept (referring to the space measured between the outer walls and from the roof to the floor). Based on the different costs of the roof and the walls, the most economic number of stories to be built can be calculated. This is the idea behind the "envelope," and the formula is as follows:

$$N^{1.5} = xf^{0.5}/2s$$

Here, x means the unit prices of the roof and the walls: f, the total area occupied (in square meters); S, the height of each story (in meters), and N, the optimal number of stories.

Under general construction conditions, the "envelope" includes a multistory structure. For example, if S = 5, x = 2, and f = 10,000 m^2, then N = 7. From this, we can see that the per-unit construction cost of the building is fairly low. China has constructed a number of buildings and factories since the beginning of the 1980's. (Footnote 9) (MIANFANGZHI JISHU 1984, No 11, pp 36-40) According to the statistics on 10 factories, the land area saved amounted to 62 percent of the total construction area.

The shortcoming of sealed-off factories buildings is that it would be rather difficult to resolve the contradiction between requirements of air-conditioning technology and that of the workers' psychology and physiology. A compromise method is to design for a minimum of four narrow glass windows and to surround the lounge completely with glass so as to satisfy the workers' desire for natural light through glass windows. That is why when the problem of illumination and noise control have been gradually solved, the choice of sealed-off buildings is to be in line with the main trend.

V. Determination of Dimensions for the Pillar Network

At the beginning of the century, the density of pillars in the factory buildings of the serrated type was 60 m^2 per pillar. In modern textile mills, the density is 450-800 m^2 per pillar. Up to the early 1960's, factory buildings of brick and wood with the pillar network dimensions of 9 x 7.2 m^2 or 7.8 x 6.2 m^2 were still used, although they were equivalent to the international levels of the beginning of the century. These dimensions in the factory building of steel and concrete structures of recent years have continued to expand, and pillar networks of 18 x 24 m^2 have been reported many times. Along with the improved quality of building materials, these dimensions may tend to expand further.

The formula to calculate the spans between pillars introduced by foreign countries for textile mills is as follows:

$$x(2d + w + W) \cdot x_1(\ell + s)$$

Here, ℓ x d is the rectangular outline of the loom; w, the work lane of at least 0.6 m; W, the width of the lane behind the loom of at least 1.75 x the diameter of the beam disk [zhou pan 6519 4149] of at least 1.2 m; s, the width of the traverse carriage [hengchuan che 2897 4302 6508] lane, of at least 0.6 m; x, x_1, the recurring number of the loom's modulus.

This is different from China's in several respects. First, the lane behind the loom is rather wide for the reason that the beam and the weft package are commonly transported on suspended rails in foreign countries. Second, the lane for weft loading is rather small. The reason is that in foreign countries, automatic shuttle-changing looms are no longer used because the weft package is attached to the loom or shuttleless looms are being used. The weft supply system consists of a large weft bobbin, and the work of feeding weft yarns is no longer necessary. That is why it is called a traverse carriage lane.

Based on the realities in China, the following formula for calculating the dimensions of the pillar network is suggested:

$$X_1(2d + q + h) \cdot x_2(2\ell + m + c)$$

Here, ℓ x d represents the rectangular outline of the loom; q, the working lane (450-500 mm); h, the warp beam lane (550-700 mm); c, the loomside lane, used for changing the shuttles (1,100-1,500 mm).

In actual designs, c may sometimes be as long as 2 m although 1.5 m can generally accommodate a 75-inch loom; otherwise, it will interfere with the operator's movement.

Along with the increase in the width of looms and the need for lower vertical density, the dimensions of the pillar networks will also gradually expand. In recent years, some foreign countries have been able to eliminate all the pillars in textile mills of moderate size (not wider than 40 m and possessing 100 to 120 shuttleless looms).

VI. Air-conditioning

The standards for warmth and humidity in workshops have also undergone changes with the development of technology. For example, the fairly high humidity required for woven fabric with starch sizing is no longer required when synthetic materials are used for sizing. In recent years, some foreign countries introduced the Condifil system (Footnote 7) (Allan Ormerod, "Modern Preparation and Weaving Machinery," 1983) of the Schwartz (?) Co., whereby air-conditioners are provided for individual looms. One of the characteristics of this system is that the air supplied through underground pipes goes through

every loom, including the yarns and other equipment, before being discharged upward through the exhaust pipe. To avoid corrosion, the humidity of the air entering mechanism is kept below the saturation point. According to the introduction, the amount of air for circulation in the workshops under this system can be reduced to less than 50 percent of the amount required under the traditional air-conditioning system. The idea behind the design of this system is that solar heat, conducted heat, and heat generated by the workers do not have much effect on the operation, although they raise the air temperature in the upper portion of the workshop. Therefore, the exhaust device is installed in the upper portion to discharge the heated air. Compared with the traditional systems, it can save 17 percent of total weaving expenses after deducting for depreciation, or 5 percent of total expenses before such deduction. This saving is attributed to three factors: first, lower air-conditioning expenses; second, a 66-percent reduction in the number of air changes per hour and consequently a reduction in the operation of the air-conditioners; and third, a 1-percent increase in output. Doubtlessly, this air-conditioning system is attractive to China.

VII. Computerized Monitoring System

According to relevant foreign data (Footnote 8) (TEXTILBETRIEB, 1982, No 3, pp 19-30 (German)), if any new plant designed in the 1980's does not include computerized control and monitoring, people would scoff at this idea as "unthinkable" or "hard to understand." When building some textile mills in the earlier 1980's, China began to consider the installation and use of a computerized monitoring system. In rebuilding the Tangshan Huaxin Plant in 1981, this matter was also considered. In recent years, some experiences in the manufacture and use of this equipment have been accumulated in China. In the future, it will certainly be able to further reduce production costs and shorten the investment recovery period considerably.

Today, when technology is continuing its advance, the textile trade is no longer a labor-intensive and low-capital industry. The continual rise in the standard of automation and the continual reduction of labor in textile mills have been quite obvious in the past several decades, and the time required for producing 100 m of fabric has been shortened from 2 to 0.3 work hours. Adoption of the computerized monitoring system can cut the efficiency loss by 2 to 3 percent, reduce the amount of defective products and warp yarn stock, improve the performance of machinery, shorten the periods of variety changes and revisions, and reduce the work of manual record keeping. In foreign countries, the period of investment recovery in this system can be as short as 3 months. These countries also have some all-purpose equipment for this system and its cost is only about 2 percent of the total equipment expenses.

The system of computerized monitoring can provide the conditions for distribution according to work and can accurately link the workers' wages with their work performance. It can promptly supply all the information in the workshop, such as the reports on each work shift and each loom. It can also supply

accurate and timely information on how each operator takes care of his looms and the result of his work as well as the information on each maintenance worker and the performance of the looms under his care. All this information will serve as accurate data in the payment of wages. Along with the development of the electronic industry, the system of computerized monitoring will certainly become one of the regular features in the designs of new textile mills.

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DEVELOPMENT OF BLENDED, INTERWOVEN FIBER FABRICS ENVISAGED

Shanghai FANGZHI XUEBAO [JOURNAL OF CHINA TEXTILE ENGINEERING ASSOCIATION] in Chinese No 9, Sep 85 pp 40-42

[Article by Jin Zhuang [6855 1104] of Wuxi Textile Products Research Institute: "Development of Blended and Interwoven Textile Products"]

[Text] (Abstract) Based on the needs of the foreign and domestic markets and the trend of chemical fiber development, this article attempts to explore the direction of development for blended and interwoven textile products with regard to their varieties and specifications.

I. Products of Mainly Cotton and Linen for the Foreign Market

Because of the "back-to-nature" style throughout the world, textile products of natural fibers, such as pure cotton and pure linen, or those in which they are blended or interwoven with other fibers, are enjoying brisk sales on the international market. China has rich resources of cotton and line, and one way to expand its cotton and linen products is to develop blended or interwoven fibers at different ratios and in various forms.

A. Products of Linen Blended or Interwoven With Other Fibers

With the unique characteristics of being strong and absorbent, linen fibers, used for summer-wear materials, have the advantage of being sleek, absorbent, and porous. Furthermore, the material is still and does not stick to the skin. According to foreign estimates, linen and its blended products would be one of the popular items in the world in 1985.

The main varieties of linen blended or interwoven with other natural or chemical fibers are plain weaves, twills, ginghams, denims, and oxford fabrics, either yarn-dyed or piece-dyed, and in either heavy or light weights. The heavy type is used for trousers, and the light type, for shirts and blouses. In designing these products, we can improve their appearance by adding colored streaks or checks of different sizes to the white surface, by doubling the warps and wefts, or by showing some harsh and uneven stripes. The specifications of the blending or interweaving are: Linen 20/cotton 50/silk 30, 14 x 14 counts, 54 x 55 threads/inch; linen 45/cotton 55 or linen 50/cotton 50, 14 x 14 counts, 54 x 44 threads/inch; linen 10/cotton 90, 30 counts (cotton/linen) x 30

counts (cotton), 67 x 55 threads/inch; and so forth. In addition, there are interwoven products of cotton/linen and polyester, linen and spun silk or silk noil yarns; and blended products of five different fibers (linen 46/ acrylic 15/wool 15/silk 15/polyester 9). According to present world market conditions, the proportion of linen should be above 55 percent. It cannot be below 51 percent after dyeing, finishing and processing.

In the future, the trend of development in linen products will be toward high counts and light weight. Therefore, China should increase the number of counts in its export products and produce more materials for shirts and blouses.

B. Polyester/Cotton Products With Reverse Ratios

Cotton fibers have good absorbency. Since natural fibers are in vogue abroad and people want their garments to be comfortable, polyester/cotton products blended at reverse ratios are now well received in foreign countries. These products basically retain their original characteristics of fast drying, dimensional stability, and being chemical resistant, while the high ratio of cotton will greatly improve the absorbent, porous, and static-proof qualities of the products.

Polyester/cotton products in reverse ratios require more than 55 percent of cotton. The main specifications are: 45 x 45 counts, 88 x 64 threads/inch and 45/2 x 45/2 counts, 101 x 55 threads/inch for check poplin and cambrics; 21 x 21 counts, 70 x 60 threads/inch for check fabrics. Lengthwise polyester/ cotton yarns and crosswise pure cotton yarns are used for oxford fabrics.

However, the high cotton content of these products puts high demand on the post-finishing and processing, and their durability and ready-to-wear properties should be improved by resin finishing and antishrinkage treatment.

II. Products of Mainly Polyester Filaments for the Domestic Market

Polyester fibers have developed far more rapidly than any other synthetic fibers in the world, and the development of filament products has received even greater attention. The proportion of polyester filaments in China is very low, and far below the world standards. Therefore, the development of these products deserves our full attention. On the domestic market, imitation wool, imitation silk and imitation linen of blended polyester/cotton fibers have become competitors with blended polyester/cotton and medium-fiber products. For those cotton fabric and yarn-dyed fabric trades now restricted by their technology and equipment, blending and interweaving will be one way to develop their polyester filament products.

A. Imitation Woolen Products of Blended Medium Fibers or Mixed Medium Fibers and Draw-Textured Polyester Filaments

The popularity of Western-style suits have created an ever-increasing demand for the required materials. Such materials are of three main categories, namely worsteds, imitation wool of medium fibers, and draw-textured filaments.

In price, the last item is in between the other two, and in quality, it has a better woolly feel, finer texture and greater durability than available in medium-fiber products. Therefore, draw-textured filament products are ideal materials for Western-style suits in terms of price and quality.

To meet the requirements of cotton and yarn-dyed fabric mills in production, the method of interweaving draw-textured polyester filaments with medium fibers is to use the latter lengthwise and the former crosswise, or to combine both in the same yarn. By this means, the problems of draw-textured filaments in producing a waxy feel, an aurora [ji guang 2817 0342], napping and pilling can be reduced. According to present market conditions, fancy suitings should be the main product with gabardine next in line. In designing the products, we may note the difference in dyeing polyesters and viscose, so that the piece-dyed products will produce the same effects as yarn-dyed products do. If draw-textured polyester filaments are used for inlay threads, striped fancy suitings can be produced.

The specifications for these interwoven fabrics are: 42 counts/2 x 150 deniers, 68 x 58 threads/inch; 32 counts/2 + 32 counts/32 counts x 179 deniers, 75 x 54 threads/inch, and so forth.

B. Imitation Silk Products of Blended Polyester/Cotton and Polyester Filaments

The materials for making shirts and blouses to match Western-style suits are now of a higher grade, since the traditional polyester/cotton fabrics can no longer satisfy the consumers. The interwoven polyester/cotton and polyester filaments, used as imitation silk, are steadily entering the market and being well received by domestic consumers. They are enjoying such brisk sales that their supply has become short of demand.

The most representative polyester/cotton product is the fabric interwoven with polyester/cotton yarn lengthwise and polyester filaments crosswise. This fabric does not have the rough and stiff feel of blended polyester and cotton, or the waxy feel of pure polyester filaments. Furthermore, if bright threads are used lengthwise for large and small jacquard designs, the fabric would become sparkling, while imitation silk finishing with reduced alkali would give it a silkier feel. This interweaving method is suitable for both plain and fancy-color knits with certain economic benefits.

If profiled filaments, such as triangular or trilobal filaments, are used crosswise, it will not only change the fabric's luster, but also improve its hand feel, give it a graceful drape, and increase its air permeability. Therefore, the development of imitation silk of irregular-shape polyester fibers has a promising future.

At present, the weight of filament fibers used is mostly 60-70 deniers, and the number of strands should be more--generally more than 36. The specifications are 45 counts x 75 deniers, 80 x 70 strands/inch, and so forth.

III. Spandex Products

The strong points of spandex lie in its elastic recovery and its durability. Blended or interwoven with other fibers, it gives a comfortable feeling and is the most elastic fiber.

Spandex is mainly used in sportswear, close-fitting underwear, corselets and trouser waists and suspenders. Elastic fabrics are popular because sports-lovers want their apparel to be tight and flexible, while fashionable people want them to be close-fitting with stripes. Since spandex has the characteristics of revealing people's physical shapes, it will have a promising future at home and abroad.

The yarns used in spandex are mainly wrapped yarns and core-spun yarns of 40, 70, and 140 deniers, mixed with other fibers, such as cotton and acrylics. Spandex can be elastic lengthwise, crosswise or both. The ratio of blending is approximately cotton 95 and spandex 5. The specifications are: 7 x 6 counts, 65 x 42 threads/inch, and so forth for elastic denim; 29 x 29 counts, 85 x 59 threads/inch and so forth for elastic fancy suitings; 42 counts/2 x 16 count, 82 x 128 threads/inch for elastic woolen fabric; and 21 x 21 counts, 64 x 142 threads/inch for elastic corduroy, elastic khaki drill, elastic oxford fabrics, and elastic crepes.

There are also other elastic products of pure or blended wool, such as pure-wool elastic fancy suitings (wool 93.45/spandex 0.65/nylon 5.9); fancy suitings of blended wool and spandex (wool 42.9/spandex 1.8/polyester/52.4/ polyester filaments 2.9); and coarse spandex fancy suitings (wool 65/spandex 0.5/viscose 34.5). Blended with linen, spandex can be made into elastic linen fabrics.

IV. New Products of Blended and Interwoven Chemical Fibers and Blended Filaments

The trend of chemical fiber development at home and abroad shows the introduction of new types of chemical fibers and the development of the technology of textured blended fibers. The introduction of new chemical fibers has provided the spinning, weaving, and dyeing trades with good opportunities to produce new goods. The blending, interweaving, and rational use of various new chemical fibers are of great significance in improving the properties and styles of textile products. Some examples can be cited as follows:

A. By blending modified cationic dyeable medium fibers with ordinary medium polyester fibers, or blending modified pure polyester yarns with ordinary pure polyester yarns to form color threads, we can design imitation wool fancy suitings of various patterns. At the same time, since the shrinkage rates of modified polyester fibers are different (the former being 4 percent and the latter being 2 percent), the blended yarns would have some slight bulking effect which would produce a woolier feel.

B. After finishing the blending of high-shrinkage with low-shrinkage polyester fibers, or the blending or high-shrinkage with low-shrinkage pure polyester fibers, would have the dual effect of bulking and embossing on the fabrics.

C. Fibers of irregular shapes can be blended with other fibers, and filaments of irregular shapes can be interwoven with other yarns. Triangular polyester or Chinlon fibers with other fibers would produce some sparkling effects; the interweaving of pentalobal or trilobal filaments with other yarns would produce the luster of pure silk; the hollow fibers contain air bubbles which diffuse the rays and make dust oblivious; and because of their light weight and ability to preserve warmth, we can produce imitation wool by blending them with other fibers.

D. The blending of fibers of different lengths and different deniers helps improve their serviceability and increase the woolly feel. In blending polyester with wool, for example, if the woolen fibers are shorter but more numerous than the polyester fibers, the wool will form the outer layer of the yarn, thus giving the fabric a soft woolly feel.

E. Core-spun yarns can improve the properties of fabrics. For example, products of core-spun yarns with cotton 70/polyester 30 are easy to wash and quick to dry. They are superior to cotton fabrics in dimensional stability and durability; and superior to pure polyester fabrics in the ability to resist pilling and static. Therefore, spandex/cotton, spandex/acrylic, viscose/polyester, and linen/polyester products with core-spun yarns should be actively developed.

F. With the addition of acrylics of irregular shapes, compound acrylics and high-crimped viscose in the blending, we can produce heavy, medium, and light imitation fabrics which are particularly suitable for fancy woolen suitings.

G. With various air-texturing techniques, we can let blended filaments and fibers of different numbers, different cross-sections, different lusters, different raw materials and different shrinkage rates--such as mesh fibers of large and small denier numbers, which have the fine properties of being pressure resistant--play a key role in fabrics. Fibers of small denier numbers crimp easily and are soft. Fabrics of small denier numbers crimp easily and are soft. Fabrics made of these blended fibers have a fine texture and a good hand-feel. The regular polyester filaments with different dyeing characteristics, the modified cotton dyeable polyester filaments, and the blended mesh fibers after false twisting, can combine to form color threads; and the octalobal filaments, after being textured with false twisting and mesh processing, can be made into imitation wool which can also entirely eliminate the aurora.

V. Conclusion

We should actively develop blended and interwoven products of mainly linen and cotton for exports and produce products with polyester filaments as the core for domestic consumption. There is also a promising future for the development of spandex. Our future goal is the development of various new blended and interwoven chemical fibers and various blended filaments.

9411/9365
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NINGXIA TEXTILE INDUSTRY IMPROVES ECONOMIC RESULTS

Yinchuan NINGXIA RIBAO in Chinese 21 Sep 85 p 4

[Article by Zhang Ling [1728 7227]: "The Economic Results of Ningxia's Textile Industry Have Increased Substantially; Quality Control Enforced, New Products Developed, Competitiveness Enhanced"]

[Text] Under a situation of serious shortages of raw materials and price readjustments, textile enterprises in Ningxia Autonomous Region have strengthened quality control, vigorously developed new products and improved economic results. Between January and August of 1985, the total output value of Ningxia's textile industry reached 85 million yuan, a 14.6-percent increase over the corresponding period of 1984; the profits registered a better than 2-fold increase and the profits delivered to the state registered a 1.5-fold increase.

Since 1984, Ningxia's textile enterprises have expanded the decision-making power of enterprises, implemented various kinds of economic responsibility systems and aroused the enthusiasm of enterprises and staff members and workers. They have rectified the guiding ideology of business management, enhanced the concepts of markets, competition, and input and output, readjusted product mix in a timely manner and strived to improve product quality.

The Yinchuan No 2 Textile Plant attaches great importance to market forecasting and analysis. At the beginning of 1985, they held five market information forecast and analysis policy decision meetings to readjust product mix and quality control targets. The Ningxia Floss Plant investigated domestic markets in a planned manner, visited some manufacturers in other provinces and municipalities, and gained useful information by examining the new products of all localities sold at the special floss counters of various large department stores in Beijing and Shanghai.

All textile enterprises adhere to the principle of "quality first, reputation first." The Yinchuan Woolen Yarn Plant strengthens quality control beginning with wool selection and refuses to deliver substandard woolen yarn to warehouses. From January to August, this plant, which used to suffer from policy-related losses, earned a profit of 1.52 million yuan. The Yinchuan Woolen Mill corrected in a timely manner the erroneous idea that "quality

control is not important because all products will be sold on the market." This plant designated a deputy director to take charge of quality control and established quality control groups in all workshops and major work procedures. Now this plant exports more than 10 products to over 20 countries and regions.

12302
CSO: 4006/88

BRIEFS

PLASTICS INDUSTRY DEVELOPMENTS--China's plastics industry has recently begun to take shape and is about to enter a stage of high-speed development. China's 1984 production of plastics amounted to 1.12 million tons; imports were 850,000 tons, which makes for a self-supply ratio of 52 percent. According to the forecast of the Ministry of Light Industry, China's plastics requirements in 1990 will be 3.6 million tons. Calculating at a production of 2.7 million tons at that time will still leave an import requirement of 900,000 tons. In its future development, the plastics industry will mainly have to focus attention on: (1) new technologies, new kinds of products; (2) reduction of consumption in consuming units; (3) readjusting product mix and trademarks; and (4) development of further uses for plastics. Currently, plastics account for only 1 percent in China's construction materials, which still leaves much untapped potential. [Text] [Shijiazhuang HEBEI RIBAO in Chinese 31 Aug 85 p 2] 9808

CSO: 4006/23

CONSTRUCTION OF HIGHWAY BRIDGES SUMMARIZED

Haikou HAINAN RIBAO in Chinese 15 Aug 85 p 4

[Article: "Over 140,000 Highway Bridges Have Been Built Since the Founding of New China"]

[Text] According to JINGJI CANKAO [ECONOMIC REFERENCE], China's bridge building technology has improved substantially since the founding of new China and over 140,000 highway bridges of various kinds, totalling 4 million meters in length, have been built in the past 30 years or so. Classified by the type of structure, there are arch, beam, suspension, cantilever, T-shaped steel structure, and inclined bridges. Classified by the building materials, there are stone, reinforced concrete, prestressed concrete, and steel bridges. China has all of the various bridge structures that there are in foreign countries. In addition, China has the double-curvature arch bridge, a unique bridge with a national characteristic that cannot be found elsewhere in the world.

The internationally famous Chang Jiang is China's longest river. There was no bridge on the Chang Jiang before the liberation. Now, there are about 20 highway bridges of various kinds. The great Chang Jiang Bridge at Chongqing with 174-meter spans is a T-shaped steel structure bridge with the longest span in China. The great Sanjiang Bridge of Yichang, Hubei Province, was opened to traffic in 1981. Its weight-bearing capacity of 54 tons is the highest among China's highway bridges.

The Huang He, which is also internationally famous, is China's second longest river. Before liberation there was only one highway bridge in Lanzhou which could only accommodate one-lane traffic. Now, there are over 40 large highway bridges of various kinds. The Great Huang He Bridge of Jinan was opened to traffic in 1982. Its largest span is 220 meters. It is a slant reinfored concrete bridge of the largest span in China. The great Huang He Highway Bridge at Zhengzhou, which is now under construction, is 5,500 meters long, the longest highway bridge in China today.

China has a long history and rich experience of building stone arch bridges. The Jiuxigou stone arch bridge of Sichuan Province with 116-meter spans is second to none in the world.

12302
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SHANDONG ACCELERATES CONSTRUCTION OF OFFSHORE ISLANDS

Beijing RENMIN RIBAO in Chinese 30 Oct 85 p 2

[Article by Jia Jianzhou [6328 1696 5297]: "Shandong Accelerates Construction of Offshore Islands by Readjusting Production Policy and Adopting Preferential Measures"]

[Text] By readjusting production policy and adopting preferential measures, Shandong Province has acceierated development and construction of offshore islands.

Shandong Province has a total of more than 190 islands each with an area of more than 500 sq m covering a total area of 177 sq km, the coast line of these islands is more than 680 km. The aquatic output of these islands accounts for approximately one-tenth of the total output in the province, of which precious items, such as sea slugs, dried scallops and abalone, account for more than half of the province's total output. In spite of the progress made to some extent in island development and construction in Shandong Province in recent years, the poverty and backward state in these islands has basically remained unchanged. Problems such as having trouble in getting potable water, taking an off-island trip, enrolling in school, seeking medical advice, buying and selling things, using electricity and postal and telecommunications facilities are common in many islands.

To revitalize the economy of the islands, the provincial CPC committee and the provincial government, in furtherance to in-depth investigation and study, called the first provincial conference on island work at the end of last year in Changdao County to draw up plans on how to accelerate development and construction of the offshore islands. For the past 1 year, the provincial CPC committee and the provincial government have adopted varied measures to inject economic vitality into the offshore islands and achieved gratifying results.

-- Readjusting production policy. The province has specifically put forth a production policy for the offshore islands which emphasizes "diversified undertakings with fishery as the leading factor" to counter the slogan of "self-sufficiency in grain" stubbornly followed in the past. Various islands have developed fishery, forestry, animal husbandry, sideline occupations, aquatic products processing industries and tourism in line with local conditions to lay the foundation for the takeoff of the offshore island economy. This year, the breeding acreage of offshore island aquatic products has

increased to more than 28,000 mu and the cultivated output is expected to reach more than 33,900 tons, increasing by 30.5 and 7.6 percent, respectively, over last year. According to the statistics of 25 fishing islands, more than 6,100 mu of farmland and forests have been reclaimed. This represents 57.4 percent of the farmland and forests to be reclaimed. Including the afforestation of barren hills and desolate beaches, more than 7,100 mu of land can be afforested in a year, which is equivalent to the total afforested acreage in the preceding 10 years. The total income from fishery and the agricultural economy this year is expected to reach more than 113 million yuan or an increase of 55.85 percent over last year.

-- Adopting preferential policies. The provincial CPC committee and the provincial government have adopted 15 preferential policies suitable to the conditions on the offshore islands, including the main: full exemption from the fixed quota grain procurement task for the offshore islands; restoring farmland and forests and carrying out afforestation more efficiently; building some new rural and small town industries for the islands and exempting existing production and service enterprises and certain artificially cultivated aquatic products from taxation; increasing material supply and relaxing farm loans; improving payment of working personnel on the offshore islands; encouraging institutes for higher learning and scientific research units to come to the islands to engage in technological development; instituting the transfer of the results of scientific research with compensation, and so on and so forth. These preferential policies have aroused the enthusiasm of various quarters concerned in developing the offshore islands. Up to now, the offshore islands have built 70 km of highways, put an additional 16 passenger and cargo ships and 409 fishing boats into service and constructed 9 cold storages; 9 offshore islands have built water storage and supply projects, some other offshore islands have expanded nurseries for delicious products from the sea. All this has created favorable conditions for developing the offshore island economy.

Moreover, since the first provincial conference on island work last year, Yantai and Qingdao cities and counties on the offshore islands have all drawn up blueprints and implementation plans based on the results of investigation and study on developing the offshore islands. Party and government organs at all levels have set up special groups to conduct periodical inspection and supervise the implementation of plans. Leading members of the Yantai and Qingdao municipal CPC committees and municipal governments have visited the offshore islands on many occasions, made final decisions on existing matters on the spot and set a time limit for their solution, thus ensuring the smooth progress in development and construction of the offshore islands. Various departments and professions and trades have also looked upon their support of the development of the offshore islands as their "bounden" duty and contributed manpower and material and financial resources to energetically help the offshore islands in solving numerous specific problems.

12662/12947
CSO: 4006/220

SHANGHAI TRANSFERS TECHNOLOGY, MANAGEMENT METHODS INLAND

Beijing LIAOWANG [OUTLOOK] in Chinese No 37, 16 Sep 85 pp 27-28

[Article by Shen Shiwei [3088 0013 4885] and He Zijia [0149 1311 5521]: "Shanghai: Its Tremendous Power of Radiation and Absorption"]

[Text] The red kapok has blossomed, and the Jingpo maidens of the southern frontier regions for the first time put on their locally producted jacquard skirts with colorful designs for their folk dance. They also offered wine to their follow workers coming from Shanghai and thanked their Shanghai tutors for ending a chapter of their local history on the period when they had to weave their skirt fabrics by hand.

Formerly, the herdsmen in the grassland of Hulun Buir League complained of the blurred images televised by their local TV station. The Shanghai Science Association dispatched a technical team to "diagnose" and "treat the malady," and after removing the technical hurdles, pictures of high resolution could be seen on their TV screen. Many of these herdsmen have phoned the TV station to express their appreciation of their Shanghai comrades' assistance.

These two examples vividly show the radiation of Shanghai's advanced technology and management experience on the hinterland.

The "radiation" of Shanghai's "capabilities" in the economic, technical and intellectual fields on the hinterland, and Shanghai's assistance in developing the inland economy are the expectations of the whole country as well as an important mission entrusted to Shanghai by history. Shanghai is now fulfilling its own glorious mission, and its economic and technical assistance to the fraternal regions has become increasingly active in the past 2 years. With the minority regions in Yunnan, Ningxia, Xinjiang and Xizang alone, it has concluded more than 500 agreements of cooperation. Last year, it also formed more than 1,000 economic integrated bodies with other parts of the country in various forms.

The "inward shift" of Shanghai's intellectual power has borne rich fruits.

Item: Several of Shanghai's brand-name products have "taken roots" in the fraternal regions. Among them are the sewing machine of Beehive brand, the bicycles of Fenghuang and Yongjiu brands, the badminton ball of Aerospace

brand, and the TV sets of Jinxing and Kaige brands. The proliferation of these products has not only promoted the intensive expansion of its brand-name products and enabled it to devote its resources to the development of new products, but also halped the other places update their products. Three bicycle plants in Suzhou, Shaoxing and Nantong have formed integrated bodies with two Shanghai bicycle plants. Since then, they have planned to produce 1.2 million bicycles, equivalent to about one-fifth of Shanghai's bicycle output, each year.

Item: Shanghai has added wings to a number of fraternal plants. The Yantai Broad-Width Fabric Mill has gained immense benefits since the establishment of its business relations with Shanghai No 36 Textile Mill, the Taipingyang [Pacific] Textile Mill and the No 2 Printing and Dyeing Plant in 1983. Shanghai sent its skilled workers and capable cadres to assist in the solution of technical and management problems and within 1 year, turned the losses of the Yantai mill into profits. Last year, this mill's profits doubled that of the previous year. In Yantai City, thanks to Shanghai's assistance, 11 other textile enterprises have improved their economic results in varying degrees.

Item: A number of scientific research achievements have quickly become productive forces in other places. In a technical fair held by the Shanghai Scientific and Technological Development Center last year, many achievements of Shanghai's scientific research attracted the attention of the fraternal provinces and cities, and contracts were signed for the popularization and transfer of 190 items. Fudan University transferred its "technology of one-time gutamic acid fermentation in sugar [yici guansuan zhongtang fajiao 0001 2945 6253 6941 6808 0022 4743 4099 6806] to the Haimen Gourmet Powder Plant of Jiangsu. After adopting this technology, this plant's general recovery rate exceeded 90 percent and its productivity approached international standards. Shanghai's institutes of higher learning and scientific research units have formed more than 100 integrated bodies for scientific research and production, while more than 500 of its consultation agencies have also given some 10,000 consultations in various fields of economic construction for the fraternal regions.

The practice in Shanghai has shown that absorption and radiation are mutually supplementary. The greater the absorption, the stronger will be the radiation, and the former provides a rich "reserve" for the latter. People in the economic circles of Shanghai have symbolically described the power of absorption and radiation as "going upstairs" and "going outdoors." On the one hand, Shanghai with its own unique power of absorption has brought in funds and advanced technologies from foreign countries. According to agreements reached last year, Shanghai brought in foreign funds of more than $900 million, fourfold the previous year's amount, and imported more than 270 technologies. These technologies, after some digestive and creative work, will escalate its production structure and product mix "upstairs." On the other hand, after "going upstairs," Shanghai sent "outdoors" its products--which remained "downstairs." The Shanghai Broadcasting Materials Plant, producer of the first black-and-white TV set in Shanghai, has rich technical resources. It imported from foreign countries some key equipment, instruments

meters and technology for producing color TV sets, and after digesting them and adding some supplementary parts, designed and built a production line capable of producing 150,000 sets of color and black-and-white TV sets. At the end of last year, this "dragon" of more than 450 m along the bank of the Huangpu Jiang, smoothly "took wings" from the Tianjin Television Plant at the Hai He bank and produced a large number of TV sets. Compared with a completely imported foreign production line of the same type, this color television production line resulted in a 50 percent reduction in investment and construction period, or a saving of two-thirds of the amount of foreign exchange.

Since 1981, Nanhui Waterproof Paint Factory of Shanghai has built factories jointly with 24 enterprises in 22 provinces, municipalities and autonomous regions including Fujian, and transferred its technology to 28 enterprises of the fraternal provinces and cities. While stretching its "feelers" into the hinterland, this factory also kept its eyes on the building materials industry of advanced international standards on the foreign market. It has imported some new technologies and equipment from Japan and the FRG to increase the technical reserve for the enterprises.

"Internal integration" has infused new vitality into Shanghai. With the vast hinterland as its support and through cooperation and exchange of materials, Shanghai can obtain abundant energy resources, fine-quality materials, and the necessary conditions of production. Up to now, Shanghai Municipal Construction Bank alone has granted loans for more than 160 joint projects with a total investment of 330 million yuan, thus enabling Shanghai to obtain a continual supply of coal, pig iron, various nonferrous metals and building materials. By exporting their technology, some trades and enterprises in Shanghai have also recieved their urgently needed raw materials from the fraternal regions in return. In the first quarter of this year, the Shanghai Leather Shoes Factory obtained more than 600,000 sq feet of leather from its cooperating factories and thus solved the problem of raw materials.

Shanghai's radiation power is now intensifying in three different directions: first, within the Shanghai economic zone according to the principle of specialization and cooperation; second, along the Chang Jiang valley, and third, to various parts of the country, particularly the remote regions.

9411/12948
CSO: 4006/241

DOMESTIC TRADE

INCREASED TRANSACTIONS IN FAIRS REPORTED IN SYMPOSIUM

Beijing RENMIN RIBAO in Chinese 26 Oct 85 p 2

[Article: "Develop Fairs, Enliven and Control the Market"]

[Text] On 24 October, Ren Zhonglin [0117 0022 2651] spoke at the conclusion of a symposium of fairs held by 14 provinces and cities. He pointed out that an important task for the industry and commerce administration agencies now is to set up more fairs, attend to the wholesaling of agricultural and sideline products, improve market control by raising the management level, and further enliven the market.

He said: Since the beginning of this year, following the reform in the system of state purchase of agricultural and sideline products and the lifting of price controls on vegetables, meat and nonstaple foodstuffs, commodities and the volume of transactions in the fairs have greatly increased. According to statistics on some model fairs in various provinces and cities, the volume of transactions in the first half of this year increased 65 percent over the same period last year. Fairs have been an important channel for the circulation of agricultural and sideline products. He continued: The industry and commerce administration agencies must adapt their work to this new situation, control the market well and at the same time set up more fairs. The layout of markets in large and medium-size cities should include fairs of all sizes, large, medium and small, and should be based on a combination of centralization and decentralization with the small and decentralized fairs in the leading position. Besides increasing the number of fairs, the cities should have some individual itinerant traders to peddle their wares through the streets and lanes for the convenience of the broad masses. The cities should also set up wholesale markets for agricultural and sideline products for themselves. In the work of market control, we should provide the producers and peddlers with information on market conditions and other service so that closer links can be formed between the places of production and the places of marketing.

Ren Zhonglin said: Thanks to these fairs, more foodstuffs are now available to the masses. We must raise the hygienic standards by strictly enforcing a system of food inpoundment. The foodstuffs sold at the fairs must have passed due inspection. We must resolutely prohibit any cheating on weight, adulteration of products, compulsory buying and selling, high-handed behavior and other illegal deeds.

Finally, he emphatically pointed out: The industry and commerce administration agencies should step up their ideological and political work and improve their workstyle. Most of the cadres in these agencies are hard working, in close contact with the broad masses, and law abiding. However, there are also some problems with a few of them. For example, some of them are stiff in manner and work with crude methods; others use their authority for private gain in violation of law and discipline. These violators must be strictly dealt with. We must step up ideological and political work in order to improve the quality of our cadres in industry and commerce administration.

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CSO: 4006/241

CHONGQING, WUHAN, NANJING KEY CITIES IN CHANG JIANG VALLEY

Wuhan CHANGJIANG RIBAO in Chinese 26 Aug 85 p 2

[Article by correspondent Zong Sheng [1350 3932]: "Strengthen the Horizontal Links between Central Cities, Promote Joint Development of Chang Jiang Valley's Economy"]

[Text] The symposium held by Chongqing, Wuhan and Nanjing on the joint development of the Chang Jiang Valley ended today at Nanjing after a 4-day session. The participants showed great enthusiasm and concern for this joint undertaking. The responsible persons of these three cities all agreed that since Chongqing, Wuhan and Nanjing are all experimental cities designated by the State Council in the economic structural reform, they must use the reform to strengthen their integration during the all-round development and utilization of the Chang Jiang, and then use the integration to promote the development and to synchronize it with the development of commodity economy among the vast countryside along the Chang Jiang valley.

A warm and lively atmosphere prevailed over the symposium. Liao Bokang [1675 0130 1660], secretary of Chongqing Municipal Party Committee; Ma Li [7357 0500], chairman of Chongqing Advisory Commission; Wang Qun [3769 5028], first secretary of Wuhan Municipal Party Committee; Cheng Weigao [4453 4850 7559], secretary of Nanjing Municipal Party Committee; and Zhang Yaohua [1728 5069 5478], mayor of Nanjing, attended the symposium. Zhou Tai [0719 1132], adviser of State Restructuring of the Economic System Commission, spoke at the meeting.

All the participants agreed on the importance of the Chang Jiang, the first river of the motherland, and on the need for an in-depth study and restudy of the special position occupied and the role played by the Chang Jiang valley economy in central China, now in the process of development. The Chang Jiang is a "golden waterway" with great comprehensive resources which are rare not only in China, but also in the world. Its drainage basin is also the region with the best basic conditions for social economy, since the "land of abundance" [Sichuan]. Hunan, Hubei and the "golden delta" are all included in this drainage basin. Now is the golden age for China's reform and construction and for the development of this river. Accleration of its economic development has an immense practical and profound historical significance in bringing together China's national economy of the east and the west, in promoting contacts between the south and the north, in opening

up the urban rural areas for coordinated development, and in backing up the strategic plans for the 21st century.

The participants at the meeting pointed out: All-round development and utilization of the Chang Jiang is a heavy task and a grand strategy. Besides relying on the state's macroeconomic policy decision, all the regions along the river, and particularly the central cities, must implement the state's principle of simultaneous action by the state and the localities with the utmost enthusiasm.

Development and utilization should rely on the efforts of central cities along the river. There are more than 20 cities along the river, each with its own characteristics. The major central cities of Shanghai, Nanjing, Wuhan and Chongqing have great economic and technical potential as well as efficient communications and transportation facilities and large markets. They are the main support for the development and utilization of the Chang Jiang. With the Chang Jiang as a connecting bond, we can strengthen the horizontal links between the central cities of Chongqing, Wuhan and Nanjing, and then extend these links to join together the small and medium-size cities like "silver threads running through a number of pearls" with the radiation on the vast hinterland. These links will gradually extend along the main tributaries to form more economic zones and groups of cities, and enrich the entire valley economy. Then we will be able to attain the objective of developing and utilizing the Chang Jiang by reducing the investment, increasing the construction speed, and improving the economic results.

The participants at the meeting held that the cities along the river should have the spirit of proceeding from realities and attempt the easy, small and low-level tasks of the near future before the difficult, large and high-level ones of the distant future so that multilevel and multichannel economic integrated bodies of various forms could be gradually established. These links can be strengthened in the near future in six different ways, namely, developing combined transportation, expanding the channels of circulation, stimulating the flow of funds, promoting tourism, strengthening industrial cooperation, and speeding up information transmission through posts and telecommunications. At present, the three key cities in particular may jointly develop the Xinshengwei port for foreign trade.

The relations of cooperation can be bilateral, multilateral or all inclusive. As for the forms of combination, we can use the model of the "four provinces and five localities" in the southwest for reference. There should be first, consultation on an equal basis and second, mutual benefits in the voluntary formation of a Chang Jiang valley community with a common destiny. The central cities along the river should discuss among themselves about the establishment of a system of combination and a permament regulation agency, and hold meetings either regularly or whenever necessary.

This afternoon, Sun Han [1327 7318], deputy secretary of Jiangsu Provincial Party Committee, and Chen Huanyou [7115 3562 0645], vice governor of Jiangsu, met the participants at the meeting. Gu Yonghuai [7357 3057 2037], manager of the Chang Jiang Steamship Corp, was invited to attend the meeting.

9411/12948
CSO: 4006/241

PRC TO EXPORT STEAMCOAL TO NETHERLANDS

OW291324 Beijing XINHUA in English 1250 GMT 29 Nov 85

[Text] The Hague, 28 Nov (XINHUA)--China is to export 4 million metric tons of steamcoal to the Netherlands in the next 5 years under a coal supply agreement signed in Rotterdam today.

This is the first coal exports by China to the Netherlands since 1978 and also is the biggest single commodity deal China has ever made in recent years with the Netherlands and Western Europe as a whole. To diversify its energy resources, the Netherlands which used to depend totally on imported oil now imports 5 million tons of coal every year, mainly from the United States and Australia. In 1985, the country bought 50,000 tons of steamcoal from China.

Under the 5-year coal supply agreement (1986-1990), China will supply the Netherlands with 400,000 tons of steamcoal in 1986, 600,000 tons in 1987 and 1 million tons each in the following 3 years.

The agreement was signed by the China National Coal Import and Export Corporation and the Dutch Coal and Shiping Company (SSM Coal), the biggest coal dealer in the Netherlands.

Dutch Prime Minister Ruud Lubbers showed great concern over the coal business with China when he received a visiting group of the China National Coal Import and Export Corporation on 25 November in Rotterdam.

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CSO: 4020/120

PRC, AUSTRALIA AGREE TO MINERAL, METAL ACCORD

OW191751 Beijing XINHUA in English 1454 GMT 20 Nov 85

[Text] Canberra, 19 Nov (XINHUA)--Australia and China have decided to establish long-term cooperation in the nonferrous metal industry.

This was stated in an agreed record reached at the first meeting of the Australia-China joint working group on nonferrous minerals and metals, which closed here this afternoon.

Under the record, China and Australia will urge their research institutes to start wide ranging contacts and cooperation. They will encourage their companies, banks and corporations to invest, and enter into negotiations of joint ventures, and to exploit aluminum, copper, lead and zinc and other mineral resources in both countries.

Nonferrous metal enterprises in both countries are also encouraged to establish cooperation with relevant enterprises in other countries.

The two sides also agreed to promote cooperation between geological specialists in joint prospecting in both countries or in a third country. Meanwhile, they will examine the scope for each country to import nonferrous metals and raw materials.

As an initiative, the China National Nonferrous Metals Industry Corporation and Australia's Commonwealth Scientific and Industrial Research Organization signed a 5-year scientific and technical cooperation agreement here today to exchange personnel and information.

The next meeting of the joint working group will be held in Beijing in the second half of 1986.

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CSO: 4020/120

PROSPECTS OF MALAYSIAN ECONOMIC TIES VIEWED

OW290910 Beijing XINHUA in English 0755 GMT 29 Nov 85

[Text] Beijing, 29 Nov (XINHUA)--Prospects for greater Sino-Malaysian economic cooperation and trade are predicted by observers here as the Malaysian Prime Minister Mahathir Bin Mohamed ended his visit to China yesterday. Both sides emphasized such contacts throughout the visit of Mahathir and his party, the largest group he has ever brought to a foreign country.

Chinese Premier Zhao Ziyang described the Sino-Malaysian economic cooperation and trade as being beneficial to both countries. Mahathir on many occasions stated that both countries should have direct trade and explore new ways, such as barter trade and reciprocal trade.

Accompanying Mahathir on his China visit were over 100 chairmen and general managers of Malaysian firms who held talks with their Chinese counterparts, on possible areas of cooperation. They were briefed on China's foreign trade, its use of foreign capital and its labor services to foreign countries in recent years. Economic cooperation between the two countries includes construction of an international trade center and a large modern tourist hotel, joint ventures between Kwok Brothers Limited, Malaysia and China. Letters of intent on several joint-venture projects have also been signed in recent years. After talks between Zhao Ziyang and Mahathir, departments of both countries met to study the possibility of cooperation in shipping.

During his stay in Shanghai, Mahathir expressed optimism about increased shipping ties between this Chinese port city and Malaysian ports. Malaysian businessmen also interest [as received] in cooperation on wood processing, construction, construction of tourist facilities, refining palm oil and processing rubber.

An agreement on avoiding double taxation and preventing fiscal evasion with respect to income taxes was signed during the Malaysian prime minister's visit. These are expected to encourage economic cooperation between the two countries. The volume of trade between the two countries jumped from 20 million to 330 million U.S. dollars in the decade after

the establishment of diplomatic relations in 1974. Trade is expected to take a giant step forward as a result of Mahathir's current visit. China imports mainly rubber, timber, palm oil, polyester fibres and cocoa beans; and it exports food and edible oil, medicine, paper, fodder, cotton cloth, steel products, hardware, chemical products and machines.

The memorandum of understanding signed during the visit on China's purchase of hot briquettes from a Malaysian firm showed China's willingness to import Malaysian goods other than traditional items. China agreed to continue its purchase of timber, cocoa beans and palm oil while Malaysia will import Chinese tea, textiles and gunny bags.

/9604
CSO: 4020/120

BRIEFS

TRADE WITH NEW ZEALAND--Wellington, 20 Nov (XINHUA)--Prime Minister David Lange said today that the two-way trade between New Zealand and China has grown 6½ percent this year. The prime minister disclosed this at a dinner given by Chinese Charge d'Affaires Cao Pizhong in honor of visiting Chinese Minister of Textile Industry Wu Wenying, who arrived here yesterday. Lange said "next year will be another busy year for New Zealand-China relations," adding that he was looking forward to visiting China again to see its economic progress since his first visit to the country in 1981. This morning, letters on cooperation in textile, wool, technical services and trade facilitation were exchanged by Minister Wu Wenying and New Zealand Minister of Trade and Industry David Caygill. A ceremony was held this afternoon to sign documents on the first New Zealand-based joint venture for the Chinese textile industry. [Text] [Beijing XINHUA in English 1636 GMT 20 Nov 85] /9604

INVESTMENT PROTECTION ACCORD--Beijing, 21 Nov (XINHUA)--China and Singapore signed an agreement on the promotion and protection of investment here today. The two governments expressed their desire in the agreement to create favorable conditions for greater economic cooperation and investment in each other's country based on the principle of equality and mutual benefit. Zheng Tuobin, Chinese minister of foreign economic relations and trade, and Cheong Wan Teh, Singaporean minister for national development, were present at the signing ceremony. Over 20 projects in China with Singapore investment have been completed and some more are in the implementation stage. [Text] [Beijing XINHUA in English 0615 GMT 21 Nov 85] /9604

SINO-SINGAPORE JOINT VENTURE--Guangzhou, 23 Nov (XINHUA)--The Chiwan petroleum supply base, a Sino-Singapore joint venture, officially opened today in the Shenzhen Special Economic Zone, Guangdong Province. The base, which has been in trial operation since last year, includes a harbor for 5,000 dwt ships, as well as other facilities to service the oil exploration and development program in the South China Sea. A ceremony was held to mark the opening of the Chiwan Petroleum Supply Base Co. Ltd., a joint venture for a period of 17 years, with the China Nanshan Development Co. Ltd. contributing 70 percent of the shares. Present were

Yu Qiuli, member of the Political Bureau of the Chinese Communist Party Central Committee, and Lee Hsien Loong, Singapore minister of state for trade and industry. Wang Tao, Chinese petroleum industry minister, was also present. [Text] [Beijing XINHUA in English 1640 GMT 23 Nov 85] /9604

DAYA BAY NEGOTIATIONS--Hong Kong, 2 Dec (AFP)--Negotiations between China, France and Britain over China's first major nuclear power plant should be completed in the next 2 months, the British Trade Commissioner here said today. Christian Adams said that although the three sides still had "some loose ends to tie up," especially over prices, the negotiators were now working on the final stage of the contracts after a successful period of talks since mid-November. The price gap "has been progressively narrowed," Mr Adams told reporters. Britain's General Electric Company is negotiating to supply conventional generator equipment for the plant to be built in Daya Bay, southern China, while Framatsome of France hopes to supply two nuclear reactors. Disagreement over prices with the Chinese had led to GEC's pull-out from the negotiating table in October, but the talks were resumed last month. "There's hope that the negotiations will be completed by Christmas," Mr Adams said, but he added that it appeared likely that another month would be needed before the talks were finalised. [Text] [Hong Kong AFP in English 1324 GMT 2 Dec 85] /9604

CSO: 4020/120

COMMUNICATIONS VICE MINISTER DISCUSSES HIGHWAY CONSTRUCTION

HK031207 Beijing ZHONGGUO XINWEN SHE in Chinese 1202 GMT 30 Nov 85

[Report: "Communications Vice Minister Interviewed on Highway Construction"--ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 30 Nov (ZHONGGUO XINWEN SHE)--Within the next 5 years, China will build 70,000 kilometers of highways, including 12,000 kilometers of highways at and above the grade II level and 27 large highway bridges. The outlook for the main highways in the econmically developed areas will also be remarkably improved.

Wang Zhanyi, vice minister of communications, disclosed the above in an interview with this reporter.

Wang Zhanyi said that the main highways to be built and revamped during the Seventh 5-Year Plan include the Shenyang-Dalian, Nanjing-Yangzhou, and other grade I highways, and the Hefei-Nanjing, Changchun-Harbin, Guangzhou-Zhuhai, Hangzhou-Nanjing, Luoyang-Kaifeng, Beijing-Qinghuangdao, and other grade II highways. The large highway bridges to be built include the 5,000-meter-long Huang He bridge in Zhengzhou and the 1,000-meter-long Songhua Jiang bridge in Harbin.

Vice Minister Wang said that the completion of these large construction projects will remarkably improve the highway facilities and help ease the strain in China's current highway transportation.

During the Sixth 5-Year Plan, he continued, China achieved marked successes in highway construction. China's highway mileage increased from 880,000 kilometers in 1980 to 940,000 kilometers in 1985. Of this, the mileage of bituminous highway increased by 32,000 kilometers and that of grade I highways increased from 190 to 390 kilometers. In addition, dozens of large highway bridges were built, including the Huang He bridges in Jinan and Baotou, the Chang Jiang bridge in Luzhou, and the Yongding He bridge.

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CSO: 4006/409

CIVIL AVIATION DEVELOPS IN 6TH 5-YEAR PLAN

OW092148 Beijing XINHUA Domestic Service in Chinese 0827 GMT 9 Dec 85

[Text] Beijing, 9 Dec (XINHUA)--China's air transportation has achieved a sustained and rapid growth in the Sixth 5-Year Plan period. Over 80 new flight routes were inaugurated and 30 airports built or expanded over the past 5 years. They have played an important role in promoting air transportation for international and domestic long-distance passenger service and tourism.

According to statistics provided by the Civil Aviation Administration of China, during the Sixth 5-Year Plan period, the total freight turnover by civil aviation departments reached 4 billion metric tons per km, an increase of 167 percent over that of the previous 5-year plan period. This year passenger turnover will be 7.3 billion and the turnover of cargo and postal services will be 180,000 metric tons, both more than double those of 1980.

Continuously expanding its civil aviation networks, China has 266 domestic and international flight routes now, 85 more than in 1980. Over 30 tourist flight routes were inaugurated in recent years. Large aircraft fly all major domestic routes, which now have a more frequent flight schedule. There are 27 international routes, 9 more than that of 1980. These routes serve 25 cities in 20 countries. The number of flights between China's interior areas and Hong Kong has also increased in recent years. There are now seven routes between the interior areas and Hong Kong. In addition to the six cities served by regular flights, five other cities have inaugurated charter flights to Hong Kong.

During the Sixth 5-Year Plan period, China built and expanded over 30 airports with funds from various sources. The expanded airports in Guilin, Fuzhou, Chengdu, and Wuhan can accommodate Boeing-707's and Boeing-737's. To cope with the needs of the open coastal cities, airports or aviation stations were built or expanded in Xiamen, Qingdao, Dalian, Haikou, Zhanjiang, Yantai, Ningbo, Qinghuangdao, and Lianyungang over the past 2 years. Airports in Lhasa, Jiamusi, Kashi, Yinin, Altay, and Heihe were expanded to ease the strains on transportation.

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CSO: 4006/409

'YUN' CIVIL AIRCRAFT REFITTED BY HONG KONG COMPANY

SK052250 Beijing BEIJING RIBAO in Chinese 22 Nov 85 p 1

[Text] A reporter learned from the Ministry of Aeronautics Industry yesterday that this ministry recently made two types of aircraft for civilian use--the Yun 7-100 and Yun 12-2. Some economic and technical norms of these two types of aircraft attained or surpassed the level of domestic and foreign aircraft of similar types. Based on the models of the existing Yun 7 and Yun 12 aircraft, they were refitted by importing advanced foreign technology, which has presented good prospects for using Chinese-made aircraft in civilian aviation.

The Yun 7 aircraft is a middle- and short-distant passenger airliner made by the Xian Aircraft Manufacturing Company of the Ministry of Aeronautics Industry. It was designed and put into small production in 1982. The Yun 12 is a small multipurpose aircraft made by the Harbin Aircraft Manufacturing Company of the Ministry of Aeronautics Industry in the 1980's. These two types of aircraft, after being successfully manufactured, tested, and widely used domestically, have proven to be inconformity with China's national situation. They have good prospects for further development. The Yun 7 has been formally used and put into scheduled operations by the Wuhan civilian aviation bureau. However, in terms of safety, reliability, and comfort, these two types of aircraft still lag behind advanced foreign aircraft to a certain extent. The electronic equipment in the aircraft in particular is fairly backward. In order to further improve the functions of Chinese-made civilian aircraft, the Ministry of Aeronautics Industry cooperated with the Hong Kong Aircraft Engineering Company Limited in refitting the Yun 7 and Yun 12 aircraft.

The Yun 7-100 aircraft is equipped with 30 items of advanced electronics equipment for communication and guidance, with small wing-tip flaps [Yi Shao xiao yi 5065 2744 1420 5065] added. This has enhanced the capability of the aircraft in navigation and in landing under dangerous and complicated circumstances and has simplified pilot operation and reduced fuel consumption. In addition, this aircraft is airconditioned, and the passengers on board will not feel "ear pressure" during the flight. The whole flight will be more comfortable.

After being refitted, the Yun 12-2 aircraft has reduced sound pollution in the cabin and is automatically airconditioned. All equipment in the cabin is made of fireproof materials, meeting the requirements of U.S. navigation regulations. This aircraft can carry 17 passengers.

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CSO: 4006/409

BRIEFS

CONTAINERIZED TRAFFIC--Guangzhou, 20 Nov (XINHUA)--During the January-September period, China's containerized traffic exceeded 11.4 million metric tons, an increase of 44.7 percent over the same period last year; and the nation's containerized traffic this year is expected to quadruple that of 1980, according to a national conference on containerized traffic took place not long ago in Zhongshan Municipality, Guangdong. In recent years, international ststions for transferring containers have been built in Beijing, Tianjin, Shimiazhuang, Shanghai, Wuxi, Hangzhou and other cities; the number of medium-sized and small railway stations capable of handling domestic containerized traffic has reached 260, and the number of large stations capable of handling international containerized traffic has reached 13 berths capable of accommodating 10,000-metric ton containerized vessels. [Excerpts] [Beijing XINHUA Domestic Service in Chinese 0018 20 Nov 85 OW] /6662

PASSENGER PLANE TEST FLIGHT--Urumqi, 7 Dec (XINHUA)--The Yun 7-100 passenger plane designed and made in China took off from Xian and arrived in Urumqi through Lanzhou and Jiuquan on 5 December. It made a flight demonstration at Urumqi's international airport and passed the test flight appraisal this morning. Yun 7-100 passenger plane is developed by the Xian Aircraft Company and designed for medium and short-haul passenger transport. The plane has advanced electronic communications and navigation equipment. Small outboard spoilers have been added to the tips of the wings in oder to increase the safety factors and maneuverability of the aircraft. New-type noncombustible materials are used for decoration in the cabin. The aircraft is safe, comfortable, and well decorated. It can carry a maximum of 52 passengers with three crew members, and reach a maximum altitude of 9,000 meters with a maximum cruising speed of 400 kilometers per hour. Experts believed: After its successful development, the Yun-7 aircraft has gone through various test flights. It has been proven that this type of aircraft conforms with the situation in China and has bright prospects for future development. [Article by reporter Liu Guangniu] [Text] [Beijing XINHUA Domestic Service in Chinese 1627 GMT 7 Dec 85 OW] /6662

CSO: 4006/409

CENTRAL BANK IDEA REJECTED IN HONG KONG

Hong Kong MING PAO in Chinese 3 Oct 85 p 6

[Article: "The Banking Department Opposes the Establishment of a Central Bank Because It Would Hinder Hong Kong's Economic Development, Saying that the Functions of a Central Bank Have Been Replaced by the Existing System"]

[Text] Bai Liyi [4101 4409 1355] of the Banking Department explained why he opposed the establishment of a central bank when he spoke on Hong Kong's banking system yesterday at the annual meeting of the Industry Management Association.

He said: Many major functions of a central bank have been clearly and sufficiently taken care of by one or another aspect of the existing system in Hong Kong. Establishing a central bank or other kinds of new organs not only would create much confusion but, more importantly, might hinder Hong Kong's economic development. In addition, he said, Hong Kong's reserves and other assets including foreign exchange funds belong to Hong Kong and should be used in the interests of Hong Kong.

He explained: There are three very good reasons for converting the majority of foreign exchange funds into foreign currency assets: The needed amount of suitable HK$ assets is not available; foreign exchange funds need foreign currencies to interfere, when necessary, with the market to withstand the pressure of exchange rates; and the fact that foreign exchange funds have considerable amounts of foreign currency assets helps increase the trust of foreign countries in Hong Kong.

He said: Hong Kong's success is partially attributable to the flexibility of its economy. The biggest question is whether this flexibility can coexist with this type of monetary control. It is certain that such controls would often hinder the growth of new enterprises which are the lifeline of Hong Kong.

With regard to the system of issuing paper currency in Hong Kong, Bai Liyi said, the current system of dollar-based exchange rates is not a recent creation. Instead, it is in essence the same as the previous system where exchange rates were linked to pound sterling. This pound-based system was in

effect between 1935 and 1972. Even before 1935, paper money in circulation was supported by banks.

However, there are two differences between the current dollar-based system and the previous pound-based system. According to the current system, the purchase and sales prices of liability certificates are the same--HK$7.8 to [US]$1. According to the previous pound-based system, when purchasing liability certificate, one-eighth of a penny was charged for each HK$. In addition, under the pound-based system, banks issuing paper money had to provide pound sterling while other banks were allowed to purchase paper money with HK$ accounts.

Bai Liyi pointed out: An economic system like Hong Kong's requires that the government react quickly and refrain from overemphasis on financial affairs. Because Hong Kong lacks natural resources and relies totally on foreign trade, Hong Kong's economic, financial and monetary policies may need to be coordinated by the central government, but coordination in such a scale may be unnecessary in other fields. Mr Bai believes that if a central bank is established, this coordination may be impeded.

Bai Liyi mentioned an article recently published by Lloyd's Bank. He said this article thinks that all functions of a central bank can be exercised by different types of public and private organizations. Mr Bai said: This is exactly the Hong Kong model.

When talking about the functions of foreign exchange funds, Bai Liyi pointed out: Foreign exchange funds play a very important role in the banking system. Generally speaking, they are a means for implementating fiscal policy. To be more specific, the rules and regulations for foreign exchange funds define foreign exchange funds as "funds used, when the finance department sees fit, to influence, directly or indirectly, the foreign exchange value of Hong Kong dollars or for other related supplementary purposes." Foreign exchange funds are also the investment manager of the Hong Kong government which oversees the major part of the government's monetary assets.

Bai Liyi pointed out: Hong Kong's paper money issuance system is functioning very well. Some people express concerns over the lack of restrictions on the amount of cash to be issued by the issuing banks. Mr. Bai said there is no need for such concerns.

12302
CSO: 4006/92

CHINESE BANKS INCREASE HONG KONG LOANS

Hong Kong TA KUNG PAO in Chinese 20 Sep 85 p 4

[Article: "Industrial Loans of 13 Chinese Banks Exceed HK$1.6 billion in 8 Months--Preferential Loan Period Exceeds 15 years"]

[Text] From January to August, 13 Chinese banks in Hong Kong made 4,477 industrial loans to Hong Kong's industrialists. The loans amounted to HK$ 1.63 billion, equivalent to 90 percent of the total amount of all loans issued last year. According to statistics, by the end of June this year, the total amount of loans issued by Chinese banks to Hong Kong's industrialists was more than HK$2.95 billion.

In the first half of this year, the amount of new industrial loans granted by Xinhua Bank, Huaqiao Commercial Bank, and Jincheng bank, which are relatively active in supplying loans, accounted for 52 percent of the total amount of loans granted by the banking group.

To support Hong Kong businessmen in making new investments in industry, the Chinese banking group provides loans on preferential conditions. For the purchase of factories, 15-year or longer loans may be offered to cover 80 percent of the expense at lower interest rates and greater discounts. The Chinese banking group also vigorously supports firms in purchasing new advanced equipment. For instance, the Yanye Bank made relatively large amounts of loans to a large clothing factory in Sha Tian and a group producing magnetic tapes and other electronic products in Hong Kong for the purchase of advanced equipment.

The Chinese banking group has relaxed restrictions on the issuance of high-risk credit loans and allowed the amount of credit loans to increase to 37 percent of the total amount of industrial loans, the largest of all categories among industrial loans.

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CSO: 4006/92

END

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China Report

ECONOMIC AFFAIRS

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DAILY QUESTIONS CORE BALANCE BETWEEN ACCUMULATION, CONSUMPTION

HK091550 Beijing GUANGMING RIBAO in Chinese 30 Nov 85 p 3

[Article by Zhuang Hongxiang [8369 7703 3276]: "The Core of Overall Balance Is the Proportion Between Accumulation and Consumption"]

[Text] In an article entitled "Briefly Touching on the Core of Overall Balance" (carried by GUANGMING RIBAO on 5 October), Comrade Zuo Chuntai said that the core of overall balance is "balance." This viewpoint is open to debate.

Overall balance refers to the overall banace of diverse proportions in various departments regarding manpower, finances, and materials in the course of development of the national economy. The core of this overall balance lies in one of these proportions which is most important to overall balance as a whole and which is the starting point for all changes and readjustments in various proportions. In fact, there is only one core for overall balance, and that is the proportion between accumulation and consumption.

In the many types of proportions in various sectors of the national economy concerning materials, finances, and manpower, we must first of all determine the appropriate proportion between accumulation and consumption in light of the level of our productive forces, previous data, and conditions in various aspects of the current external and internal situations. This proportion should be conducive to the improvement of the people's living standard and long-term economic development. When this proportion is determined, the variety and quantity of the final products of various departments and the people's consumption within their capability for payment can also be generally determined. Of course, there is an objective law governing the determination of this proportion. However, there is not a stereotyped pattern for this. Differnt plans can be worked out for different proportions under various conditions. For example, in wartime, when large quantities of military supplies are needed, the proportion in production should be different from that during peacetime. As a result of different historical conditions and living standards, the proportions in the structure of production are also affected. The starting point for these changes lies in the proportion between accumulation and consumption, which is related to general social demand and supply and which provides data for the proportion between the two

major categories and various proportions within the two categories (such as those between agriculture, light industry, heavy industry, communications, and power production). When this proportion is determined, we will be more clear about our ability to carry out construction in a certain period of planning and will be able to decide the funds and materials to be put into the construction of energy, communications, and science and education projects. From this proportion we can infer the general volume of commodity circulation and the amount of money needed. This proportion is related to both the internal commercial scope and foreign trade capability, as well as the scope of investment and credit. All this has provided a basis for the deployment and training of manpower and talented people.

The balance of general supply and demand is an extremely important issue. But it is only an aspect of the overall balance of the national economy. The general demand and supply include the demand and supply of many, many separate items, which should also be balanced in proportion. If the general demand and supply are balanced but those of the separate items are not, many products may possibly be overstocked while some other products may be in short supply, and there will still be a situation of imbalance. The proportion between accumulation and consumption is related to both the general demand and supply and the demand and supply of all the separate items.

From the above we can see that the core of overall balance of the national economy is the proportion between accumulation and consumption. In the course of carrying out plans, to cautiously prevent the phenomenon of losing control of the consumption funds, to stop unplanned and blind construction projects, to control the amount of money put into circulation, and to prevent the swelling of credit are all problems concerning a strictly implementation of the principle of overall balance. They are not the core of overall balance.

/6662
CSO: 4006/398

BRIEFS

PAKISTANI BANKER'S VISIT--Beijing, November 22 (XINHUA)--Chen Muhua, state councillor and governor of the People's Bank of China, met with A.G.N. Kazi, governor of the State Bank of Pakistan, and Mrs. Kazi here today. They conferred on expanding cooperation between the two banks. Kazi and his party arrived here yesterday. [Text] [Beijing XINHUA in English 1216 GMT 22 Nov 85 OW] /6662

CSO: 4020/124

DAILY ON CHONGQING'S SUCCESSFUL ECONOMIC REFORM EXPERIMENT

HK090409 Beijing JINGJI RIBAO in Chinese 2 Dec 85 pp 1, 2

[Article by reporters Hao Beishang [6787 0554 0006] and Jiang Yang [1203 3152]: "A Successful Experiment--A Factual Report on Urban Reform in Chongqing"]

[Excerpts] After reaching a consensus on "contradictions," the leaders of the Chongqing City CPC Committee and government gained a more profound understanding of their city: Chongqing is a port, a collecting and distributing center, and a junction between eastern and western China. For many years ships from the Chang Jiang estuary have been anchoring here and goods from Yunnan, Guizhou, and eastern and western Sichuan have been exchanged here. Its geographical conditions have determined its status. It is a center of economic activities in the Great Southwest. It was the "alternative capital" of the KMT and the seat of the southwestern administrative region. Now, it is China's first exceptionally big city experimenting in comprehensive reform of the economic structure. Comrade Liao Bokang, secretary of the Chongqing City CPC Committee, said: "It is therefore necessary to persist in opening up so that Chongqing can become a center of economic activities worthy of the name...."

In February 1984, the Chongqing City CPC Committee and government jointly decided to set up the Chongqing manufactured goods trade center, to open the market wider, to invigorate circulation, and to smash barriers between departments and regions. Soon afterwards, in an inspection tour of Chongqing Premier Zhao Ziyang confirmed this practice as conducive to invigorating the economy and to bringing the role of key cities into play.

Later, the Chongqing City CPC Committee and government decided to open the city to the outside world in an all-round way and to set up a three-dimensional and multilevel economic network centering on the city. The first level was to strengthen horizontal economic links among enterprises; the second was to strengthen horizontal economic links among enterprises in the urban and rural areas; the third was to conduct economic cooperation with the southwestern region; the fourth was to develop horizontal links with Shanghai, Wuhan, Nanjing, and the coastal areas; and the fifth was to vigorously develop foreign economic relations and trade and to import technology in a planned way.

Following changes in the administrative function of the government, "barriers" were turned into "go-betweens." As a proof of the success of this reform, the city's revenue in the first 9 months of this year rose by 33.8 percent over the corresponding period last year.

In summing up this work, the Chongqing City CPC Committee and government said: Invigorating enterprises is a starting point in urban reform. Changes in the government administrative function have further deepened our understanding of city functions. Comrade Liao Bokang said: "Since we administer a city, we cannot but pay constant attention to summing up our experience in understanding the city."

The leaders of the Chongqing City CPC Committee and government were clear-headed. They paid attention to views, in other parts of the country and the world, on how to give full play to the role of a city. They believed that in addition to striving to give play to the role of the city as a center of economic activities, it is also necessary to go all out to tap and to give play to its multiple functions as an information, science and technology, banking, tourist, and communications center, because they all complement each other. Moreover, it is necessary to treat urban maladies, that may break out or have broken out, comprehensively.

Viewed from its achievements, Chongqing City has attained remarkable successes in the reform of the economic structure over the past few years. In the 3 years prior to structural reform, the gross value of the city's industrial production increased at an average rate of 7.4 percent a year; in the past 2 years it has increased by 14.3 percent annually. The net increase of revenue in 1983-84 was four times as much as that in the previous 4 years. The revenue turned over to the central and provincial authorities in 1984 increased by 14.1 percent over 1983. The economic situation has taken a marked turn for the better. However, can we say that there are no problems? The leaders of the Chongqing City CPC Committee and government are quite sensible. They said: All work develops in the course of contradictions. Even if we have attained some successes, our work is still far from being perfect. We often think that since our task is to administer the city, we should make our duties clear, always keep them in mind, and fight for them, for the Great Southwest, and for the nation's four modernizations program.

It is highly commendable for the Chongqing City CPC Committee and government to think [word indistinct]. They have forged ahead in reforming this mountain city. What about the other cities? Do they have the problem of "understanding anew"? Can they develop their patterns and follow their own paths?

/6662
CSO: 4006/398

RISE IN GUANGZHOU LIVING STANDARDS DUE TO REFORMS

OW230724 Beijing XINHUA in English 0645 GMT 23 Nov 85

[Text] Guangzhou, 23 Nov (XINHUA)—The average income of Guangzhou citizens has increased in real terms at an annual rate of 6 percent over the past 5 years, a city official said today. He said the average per capita income this year was expected to reach 1,038 yuan. Recent economic reforms took most of the credit for the increase, he said.

According to a sample survey, 19.5 percent of Guangzhou families now own color television sets (nearly all families in the city have black-and-white TVs), 28 percent own refrigerators, 59 percent have washing machines, and 85.5 percent possess tape recorders.

Guangzhou citizens now have more such consumer goods on average than the residents of any other Chinese city. Five years ago, such items were regarded as luxuries.

Guangzhou people are also eating better. The monthly consumption of pork for each citizen is now about three kilograms—5.18 times the figure in 1957.

The present per capita monthly consumption of fish and poultry has also increased by 30 and 68 percent respectively compared with 1957.

The rising income of Guangzhou families is partly due to better employment opportunities for young people, the official noted.

About 340,000 Guangzhou youngsters have been provided with jobs over the past 5 years. This means that practically all young people in the city are now employed.

The official added that per capita living space in the city had also increased from 3.97 square meters in 1980 to the present 5.6 square meters.

/9604
CSO: 4020/118

FUZHOU DELEGATION IN JAPAN TO DISCUSS INVESTMENT IN 15 PROJECTS

HK250513 Beijing CHINA DAILY in English 25 Nov 85 p 2

["Special to CHINA DAILY" by Zhang Tan]

[Text] A business delegation from Fuzhou, capital of Fujian Province, has arrived in Osaka, Japan, for talks with Japanese businessmen on a number of projects requiring foreign investment.

The Fuzhou team has 15 projects for discussion which will require total investment of 63.6 million yuan. The foreign capital component of the investment will be $12.2 million.

Most of the projects involve producing goods for exports and some will produce items currently imported by China in large quantities.

Fuzhou, one of the 14 coastal cities open to foreign trade, has signed 159 contracts with foreign businesses in the last two years. More than $21 million of foreign capital had been invested in the city for industrial renovation and joint ventures. Of the 159 projects, 48 had gone into production by the end of 1984.

New progress has been made this year with 91 projects under construction with total investment of 181 million yuan, of which 119.4 million yuan ($37.3 million) is from abroad. It is expected more than 50 projects with $18.8 million of foreign capital will start production by the end of December.

The city has imported much high-tech equipment, production lines and advanced technology since 1983. Now these imports are beginning to yield good returns. The city's No 3 Plastic Factory won a state top prize for its gunny sacks since it imported a production line with an annual capacity of 35 million sacks.

/6662
CSO: 4020/116

BRIEFS

GUANGZHOU EXPANDS FOREIGN ECONOMIC COOPERATION--Guangzhou, November 27 (XINHUA)--Guangzhou, one of China's 14 open coastal cities, has signed 17,739 contracts for economic and technical cooperation with foreign firms from 1979 and September of this year, a spokesman for the city government said today. The total investment, plus the income anticipated from processing and assembly tasks with supplied materials or parts, is expected to reach 2.5 billion U.S. dollars, with 400 million U.S. dollars already in place, the spokesman said. The number of cooperative enterprises had increased to 378 by September of this year, up from 24 in 1980. The number of joint ventures is now 67 up from three in 1983. More than 100 joint ventures and cooperative enterprises are already in operation. The bulk of the foreign investment has shifted from the tourism and service trades to industry, agriculture, communications, transport, and building, according to the spokesman. [Text] [Beijing XINHUA in English 0744 GMT 27 Nov 85 OW] /6662

GUANGDONG DEVELOPING INDUSTRIAL EXPORT BASE--According to NANFANG RIBAO, the Guangdong Provincial People's Government has decided to build the Zhujiang Delta open zone into an industrial products exporting base. Thus more industrial enterprises in the cities and counties of the delta will undertake the export of industrial goods. A number of enterprises where the conditions are right will be selected, after approval, to be export producer base enterprises. The delta should strive for new development in industrial exports during the seventh 5-year plan, to make more foreign exchange for the state. In this industrial exporting base, 160 products with a value of more than $1 million in the current year have been initially designated as current focal key products for development. At the same time, a number of new export products will be organized and developed. Within this base, a number of special factories turning out products for export only will be designated. A number of factories will also be designated for both external and domestic sales. These two types of factory will form the backbone in building a production setup for exports. The provincial government has decided to adopt some favored treatment policy measures to encourage this export goods base in the Zhujiang Delta open zone to expand industrial exports. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 30 Nov 85 HK] /6662

CSO: 4006/374

YU GUANGYUAN ADDRESSES MEETING ON REGIONAL DEVELOPMENT

HK110455 Beijing JINGJIXUE ZHOUBAO in Chinese 1 Dec 85 p 1

[Speech by Yu Guangyuan [0060 0342 6678] on 11 November 1985 at the national meeting to exchange experience in research on regional development strategies: [Targets of Endeavor and Tasks"]

[Text] The "regional development strategies" discussed at the current meeting are strategies worked out and implemented by the leading department of various regions for their own econmic and social development. "A region" mentioned here may be as large as a whole province, an economic zone composed of several provinces, municipalities, and autonomous regions, or a certain area of a large river valley, or as small as a county or an area smaller than a county. The term "region" stands in relation to the country as a whole.

A "regional development strategy" is not the same as the component part of the national strategy for economic and social development formulated and implemented by the leading state organs concerning the problem of regional development.

I called the former strategy "the regional strategy in the regional strategies" and the latter "the regional strategy in the national strategy." It must be stated that the latter term is accurate. As for the former, since it is very difficult to give it a precise name, I have to use that term with a view to "pitting" it "against" the latter. Today it seems there is a need to revise it, that is, the former regional development strategy should be called the regional strategy for different regions and thus the latter can be called the regional strategy for the country as a whole. The reasons for such a revision are that there are relatively small areas in a big region and therefore, the regional strategy for a big region contains the development strategies for the areas under its jurisdiction. This is a veritable "regional strategy in the regional strategies." On a par with this "regional strategy in the regional strategies" there may be "the departmental strategy in the regional strategies" or "the special strategy in the regional strategies." These strategies form the regional development strategy for a relatively big region. This is because at present not only provinces, municipalities, and autonomous regions but also prefectures, cities, and even counties are studying their own development strategies, so the formation of a regional development strategy for a relatively big region has become a problem which calls for consideration.

Formulating the strategy for a region needs long intensive deliberations (by "formulation," we mean revising and replenishing the set strategy in accordance with the continually changing situation or even working out a new strategy; deliberations are still needed with the adoption of a new strategy, and we do not mean a strategy can be completed on a one-time basis). The research work on regional strategies should be carried out by the leading regional organizations. Therefore, the purpose of this meeting is to exchange experience in the studies or strategy carried out by the various leading regional organizations.

Of course, scholars are encouraged and should take the initiative in doing the research work in this respect. What they are expected to do is to make proposals or suggestions for strategy makers. The experience of the scholars in researching regional development strategies should also be exchanged in current meeting.

The aim of this meeting is to discuss "the experience of research into regional development strategies" and "the theory of regional development strategies" rather than discussing "the regional development strategy itself." "The regional development strategy" discussed in the current meeting, which I called "the regional development strategy" in "the regional strategy in the regional strategies," cannot be a "general" but "specific" strategy, that is to say, it is a strategy for specific regions. This regional strategy can only be studied on a regional basis and not in general terms. It is impossible in effect to discuss the strategy for numerous regions at a meeting. The discussion on regional strategy should be carried out in a meeting-by-meeting program, which we are now following in effect. That "the regional strategy in the general regional strategies" is nonexistent does not mean that there is no generality or universality in such a strategy and no general theory and methods for research into regional development and still less means that the experience in studying regional development can hardly be exchanged and a general summing up of the experience in this respect can hardly be made. From this viewpoint of "being general" and "being specific," the convening of this meeting and its successful prospects are based on the two "does-not-means."

Apart from this philosophical reason, the experience of the various regions in this field of endeavor and their desire to exchange experience with each other are more or less attributable to the smooth convening and success of this meeting.

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BRIEFS

RURAL ENTERPRISES--China's village and town enterprises developed rapidly during the Sixth 5-Year Plan. Their total output value increased from 72 billion yuan in 1980 to 170.9 billion yuan in 1984, accounting for 17.8 percent of China's total industrial output value. [Summary] [Beijing Domestic Service in Mandarin 2230 GMT 6 Dec 85 OW] /6662

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PAPER ON INDIRECT MACROCONTROL OF ENTERPRISES

HK061015 Beijing GUANGMING RIBAO in Chinese 23 Nov 85 p 3

[Article by Chen Jiyuan: "Indirect Macroeconomic Control and the Behavior of Enterprises"]

[Text] One of the important goals that our country's economic structural reform should realize is to gradually establish and perfect the system of indirect macroeconomic control. In order to realize this goal, it is necessary to satisfactorily handle the relations between the state and the enterprises. In the process of switching from direct to indirect control in managing our macroeconomy, handling the relations between the state and the enterprises is mainly aimed at enabling our indirect macroeconomic control to effectively guide, standardize, and coordinate the behavior of our enterprises and at enabling the behavior of our enterprises to meet the needs of the indirect macroeconomic control.

Two Related Aspects of the Goal of the Socialist Economic Structural Reform

There are two closely related and complementary aspects of the goal of our socialist economic reform: We should exercise necessary macrocontrol, as well as greatly strengthening the vitality of our enterprises. Only by so doing can our entire socialist economy be established on the foundation of a microeconomy full of vitality and be truly developed in a planned and proportional manner.

Over the past few years, our country's economic structural reform has mainly been focused on expanding the decisionmaking power of our enterprises and reinvigorating our enterprises. In doing that, we have grasped the major defect of the previous system, under which the state exercised an overrigid control over our enterprises and our enterprises became subsidiaries of the state's administrative organs. However, invigorating our enterprises should not be the only task of our reform. The gradual establishment of a system for exercising indirect control over our macroeconomy means the deepening of our economic structural reform and is, at the same time, a demand of the further enlivening of our microeconomy.

Enlivening the microeconomy is not in conflict with the exercising of necessary control over our macroeconomy. In general, controlling our macroeconomy should be satisfactorily combined with enlivening our microeconomy. The problem is what method of combination and what means of control we should adopt.

The actual situation of our microeconomy and the methods and means of our macroeconomic control should be suited to each other. Under the condition of gradually invigorating our microeconomy, we must also change the method of exercising direct control over our macroeconomy.

Enlivening Our Enterprises Requires a Transition From Direct Macroeconomic Control to Indirect Macroeconomic Control

Exercising direct control over our macroeconomy mainly by administrative means is tantamount to the previous practice of rejecting commodity economy and regarding our enterprises as subsidiaries of our government administrative organs.

After we have invigorated our enterprises on the basis of commodity economy, it is still necessary for the state to continue to exercise control and administration over the operation of our national economy and to preserve some administrative means. However, fundamentally speaking, developing commodity economy and invigorating our enterprises is in conflict with the exercising of direct control over our macroeconomy mainly by administrative means. After our enterprises have begun to possess certain degree of decisionmaking power and vitality in an environment of commodity economy, if we continue to adopt the method of exercising direct control by administrative means over the activities of our enterprises, then there will inevitably be the following consequence: either the direct macrocontrol will fail to work, or ther will again be rigid control over our enterprises.

Through the reform, our enterprises have become economic entities that shoulder sole responsibility for their profits and losses, and there have already been profound changes in their relations with the state. Before the reform, the enterprises performed their bounden duty for the state and pursued their own interests through implementing the state's instructions. Now, our enterprises arrange their activities in production and operation in the light of market demand, and they increase their profits to provide more net revenue for the state in order to make greater profits to contributions to the state and at the same time provide more favorable conditions for their own development and for the improvement of the benefits for their staff and workers. Under these circumstances, though the enterprises continue to have the duty to implement the state's compulsory instructions, they are justified in refusing to respond effectively to the direct intervention of the state as they responded in the past.

The best method for the state to affect and guide the enterprises' activities in production and operation and to attain the goal of developing our national economy in a planned and proportionate manner is to adopt the method of indirect macroeconomic control mainly by economic means. The reason this

method is effective is because, by applying economic levers such as changes in prices, interest rates, tax rates, and exchange rates, we will affect the behavior of our enterprises, increase or reduce their profits, and, through their concern for their own material interests, urge them to consciously readjust their production and operation activities according to the orientation predetermined by the state and to attain the state's predetermined goal.

Establishing the State's Hard Budget Restrictions on Enterprises Is an Important Condition for the Effective Exercising of Indirect Macroeconomic Control

Whether our indirect macroeconomic control can be effective, and the extent of its effect, is determined not only by the degree of perfection of the system of indirect macroeconomic control itself, but also by whether our enterprises are able to promptly and effectively respond to this control in their behavior.

Fundamentally speaking, we should make our enterprises respond to the state's macrocontrol in line with the intention of the control. We should thoroughly reform the state's soft budget restrictions on our enterprises under the previous system. The pair of concepts concerning soft and hard budget restrictions were first put forward and used by Hungarian economist (Korner) [Ke Er Nai 4430 1422 1143], and have now been accepted by economists in an increasingly large number of countries. Soft budget restrictions denote a lack of relationship between the income and expenditure of an enterprise under the traditional socialist economy system in which there is no profit and loss responsibility system for enterprises. When an enterprise suffers a loss, it can always depend on financial support from the state. Therefore, it need not and will not respond to the state's policy decisions on macrocontrol. That is why switching the state's soft budget restrictions on enterprises to hard budget restrictions, in other words, changing the practice of enterprises "eating from the same big pot" of the state and making enterprises really shoulder sole responsibility for their profits and losses, is an important precondition for the effective exercising of indirect macroeconomic control.

In establishing a system of indirect macroeconomic control, we must thoroughly abolish the soft budget restrictions that have taken shape in the old system. Otherwise, we will not be able to realize our desire and goal of reform. The reason for this is too simple. When an enterprise suffers a loss because of poor administration and management, it can easily get compensation from the state in the form of preferential prices, tax reduction or exemption, low-interest or interest-free loans, and financial subsidies. An enterprise in debt can even repudiate debts due. This being the case, naturally an enterprise will not respond to changes in economic levers which may affect its operation. Then all the state's various efforts to use economic means to control total social demand and readjust the total volume of credit and the volume of money supply will be useless.

Switching from soft budget restrictions to hard budget restrictions is the core of the socialist economic structural reform. In order to establish a system of indirect macroeconomic control, we must adopt corresponding measures and change the relationship between the state and enterprises from one of soft budget restrictions to one of hard budget restrictions.

The Market Conditions Necessary for the Establishment of the System of Indirect Macroeconomic Control and for Changing the Behavior of Our Enterprises

The key to whether our economic levers can effectively affect and restrict the behavior of our enterprises is whether we have a perfect market system, namely, a system that consists of commodity market, technology market, capital market, and labor market. The market system is a necessary condition for the rational distribution of production resources and for funds to move to sectors of relatively high efficiency. At the same time it helps enterprises to strictly impose financial and economic discipline. If there is no such market system, changes in our economic levers will either fail to promptly issue signals to our enterprises or will give the wrong signals to them. As a result, our enterprises will not be able to make prompt response or will respond incorrectly. All this will hinder the realization of the goal of developing our national economy in a planned and proportionate manner.

Switching the state's soft budget restrictions on enterprises to hard budget restrictions also requires strengthening the role of market forces in order to put the production and operation activities of our enterprises mainly under the regulation of market mechanism. At present there are two relations of dependence regarding the enterprises in our country. On the one hand they rely vertically on the organizations at the upper level, and on the other hand, they rely horizontally on the market. Judging by the situation in quite a few enterprises, the vertical dependence on the state organs is greater than the horizontal dependence on the market. Therefore, it is impossible to thoroughly change the relationship of the state's soft budget restrictions on our enterprises.

In order to strengthen the role of market forces, we should adopt measures mainly in the following three spheres: First, we should carry out a reform of our pricing system, gradually make our prices rational, enable our relative prices to accurately reflect the degree of scarcity of the labor and resources consumed in producing the commodities, and thus give effective play to the role of prices in regulating the supply and demand of commodities. Second, we should gradually form a limited buyers' market, abolish the sellers' dominance over buyers caused by shortages of goods, and thus create preconditions for the application of economic levers and an organic combination between market and planning mechanisms. Third, we should have a competitive market structure and thus create an environment of relatively fair competition for our enterprises and enable our enterprises to begin from the same starting line in conducting competition.

What we need to point out is that, despite the fact that strengthening the role of market forces is an important condition for the establishment of a system of indirect macroeconomic control, market mechanism cannot determine the basic orientation of our economic development. In the process of

controlling the movement of our macroeconomy, market mechanism is only a major means to realize a predetermined goal. As for the predetermined goal, it is consciously decided by the state in the light of its understanding of the needs and possibilities of our economic development.

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OFFICIAL ON CONSTRUCTION MANAGEMENT SYSTEM REFORM

OW080644 Beijing XINHUA Domestic Service in Chinese 1253 GMT 7 Dec 85

[Text] Beijing, 7 Dec (XINHUA)--After more than 5 years' effort, China has achieved considerable economic results in reforming the building industry and capital construction management system. Gan Zhijian, vice minister in charge of the State Planning Commission, urged all concerned to concentrate effort during the first 2 years of the Seventh 5-Year Plan period on digesting and improving those reform measures already taken, implement them in conjunction with other necessary supplemental measures, and take necessary steps to solve the prominent problems emerging in the course of reform, so that reform in this field could be carried out on a full scale.

At today's national symposium on the reform of the management system of the building industry and capital construction, Gan Zhijian said: In order to persist in carrying out reform in this field, we must follow the recent instructions of leading comrades of the State Council in improving the socialist loan system, bidding system, and overall economic responsibility system, and create a new way to improve the investment results of capital construction.

Gan Zhijian pointed out the major problems needing to be solved in carrying out reform in this field: Control over matters of principle and policy has not been kept in line with our efforts to delegate more management power to lower-level authorities; reforms in various sectors have not been well coordinated; we have met various policy problems and actual difficulties in carrying out reforms in the past; laxity in ideological and political work during the transition from the old to the new management system has introduced some new unhealthy tendencies.

Gan Zhijian put forward a few demands for continuing to improve reform measures and advance reform drive. He said: Every effort should be made to adopt an investment contract responsibility system for all key state construction projects within the next year, and a similar system should also be adopted as soon as possible for other large- and medium-sized projects. Banks will not appropriate funds for new key projects that have not signed an investment contract agreement, and contractors should make every effort to eliminate price hike factors. We should be determined to eliminate the contradictions, blockades, and monopolies existing among different regions,

sectors, and particularly among some big cities; promote an open bidding system, and take steps to protect competition. Organs in charge of bi-ding must maintain strict management and supervision over this work in accordance with established policies. We should continue our effort to change from fund appropriation for capital construction to a system of interest-attached loans, and appropriately adjust the policy governing the applicability of the "fund appropriation to loan granting" system.

Gan Zhijian also called for coordinated implementation of reforming the work in supplying capital construction materials, in organizing and setting up project contracting companies, and in establishing and perfecting organizations in charge of construction quality. He said: We should strictly examine the credentials of all survey and design units, and prohibit unlicensed design units from taking part in any design work and indiscriminately collecting design fees. Small state-owned construction enterprises may be run by collectives, and, where circumstances permit, some localities may put these enterprises under the joint management of the state, collectives, and individuals on a trial bases. Large- and medium-sized state-owned construction enterprises should simplify their organizations, limit the authority of their accounting units, and diversify their business areas. In implementing the system of contracting for a fixed amount of the output value of a project, attention must be paid to fixing a reasonable percentage of output value to be accomplished.

Regarding problems of construction quality deteriorating since the beginning of this year, and that some units and leading cadres have willfully overestimated construction costs, tried to gain bonus by cheating, used coercion against consumers, and sought personal gains, Gan Zhijian emphasized that we must adhere to the socialist course and bolster the promotion of spiritual civilization in carrying out the reform of the management system of building industry and capital construction. He said all localities and departments concerned should take effective measures to set right the construction industry by taking the local situation into consideration, and all kinds of irregularities found must be strictly handled.

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REFORM OF ECONOMIC MANAGEMENT ORGANS OF URBAN GOVERNMENTS

Beijing JINGJI GUANLI in Chinese No 10, 5 Oct 85 pp 16-19

[Article by Zhang Guoyao [1728 9048 3613]: "On the Reform of Economic Management Organizations of Urban Governments"]

[Text] The refcrm of the economic management organizations of urban governments is an important content of the reform of the urban economic structure. On the one hand, it is an important theoretical problem and on the other it is an important practical problem. To solve this problem, I believe that the key lies in having a full understanding of the pre-condition, task, and principle of the establishment of economic management organizations of urban governments. This article attempts to make some probing work in this connection, and to find some materials for everybody's discussion.

I. The Precondition for Establishing Economic Management Organizations of Urban Governments is to Suit the Objective Demands of Developing a Planned Commodity Economy

In mankind's history, the formation of cities and towns is the result of the prolonged historical development of commodity production and commodity exchange. An economic management organization of an urban government being an upper-layer structure, its establishment is not freely determined by mankind's subjective wishes but is determined by the nature and special features of the urban economy itself. This being the case, what are the nature and special features of our country's urban economy itself? In a word, as pointed out in the "decision of the CPC Central Committee on reform of the economic structure" a socialist economy is "a planned commodity economy." However, for a long time, in the economic life of our country we have not recognized an urban economy to be a planned commodity economy. Manifestation number one of this is that we have not treated the enterprise as a commodity producer with a relatively independent character and nor have highly regarded the decision-making power and economic interests of the enterprise and the staff members and workers. Manifestation number two is that we have not organized the economic network and development of the economy in accordance with the special features of the inherent liaison of commodities and the law governing commodity circulation. And manifestation number three is that we have not highly regarded the regulation role of the law of value or the employment of economic levers and the market mechanism.

As a result, in the establishment of the economic management organizations of urban governments, the organizations have not been established in compliance with the objective demands of a planned commodity economy. Despite that in the past the establishment of economic management organizations of urban governments in our country had gone through many changes and many ups and downs, this precondition has all along been overlooked. Hence, many drawbacks still exist in the establishment of the economic management organizations of urban governments. The principal ones are: 1) Non-separation between government and enterprise functions, government taking the place of the enterprise, and the enterprise becoming a subordinate of administrative organs. 2) Shortage of horizontal relations between government economic management organs, and lack of mutual cooperation, thus aggravating the state of regions and departments having spheres of dominance of their own, and impeding the development of specialized cooperation; 3) Proportionate imbalance in the establishment of government economic management organs, and the latter's insufficient functions. This is manifested in the commanding and executive organs being too large in size and the duplication in their establishment; and in the non-establishment of organs, which should have been established, for coordination, supervision, information and inquiries and in cases of their having been established they sadly lack in strength, being unsuited to meeting the demands of the development of urban commodity economy. 4) Unscientific planning of the functions of government economic management organs, as prominently seen in the duties and functions of the organs not being clearly defined and in their disputes over trifles. 5) The government economic management organs being too ponderous in size, there being too many layers of authority, and, in addition, the enterprises' lack of the decision-making power, naturally resulting in problems being handled not promptly, or handled in a manner which deviates from reality, and eventually in the outgrowth of serious bureaucratism.

In short, "all the existing phenomena in economic life of the demarcation or urban and rural areas, demarcation of regions and departments, redundant production, obstruction of circulation, multiple-headed leadership and holding each other up are related to the administrative management structure and the establishment of administrative organs." In the final analysis, all this is related to our overlooking and even refuting the planned commodity economy.

The emphasis on determining the establishment of government economic management organs in accordance with the objective demands of a planned commodity economy requires us to clearly understand that since urban economy is a commodity economy, we cannot treat it as equivalent to a "castle economy." As a commodity economy, its activities should not be again confined to the realm of regions and departments but should break the blockade fostered by regions and departments, and should expand its horizontal relations. By so doing, the all-round relations of urban economic activities will become daily more complex which determines that the upper edifice of commodity economy, namely, the government economic management organs, will be unable to grasp the process of the diversified forms and kinds of concrete economic operations and react to them promptly and suitably.

This explains why the function of the management of urban economic activities has the special characteristic of decentralization, that is to say, the power of daily production and operation activities belongs to the enterprise and the functions of government economic management are the eight clauses mentioned in the "decision of the CPC Central Committee on reform of the economic structure," which may be summed up in the following eight characters, meaning "planning, coordination, service and supervision." Hence, the establishment of the urban government economic management organs should conform with this special feature. Here, we must absolutely avoid the mis-interpretation that following the decentralization of urban economic management functions, the role of government economic management can be weakened and the organs can be abolished. This is because an urban government, in its capacity as the representative in the region of the socialist public ownership system of the means of production, must perform its economic management functions bestowed by the state, and this is determined by the nature of a socialist state. In emphasizing that we must adhere to the objective demands of a planned commodity economy in the establishment of urban government economic management organs, our purpose is to establish an economic management structure which can promote the development of productive forces, and which, on the one hand, possesses a high degree of unity and, on the other, a large degree of flexibility.

II. The Task of the Establishment of Urban Government Economic Management Organizations is to Suit the Demands of the Changes of the Managed Object, Namely, the Enterprise

The establishment of urban government economic management organizations is determined on the basis of the demands of the object under management.

In order to clearly understand what urban government economic management organs manage, let us analyze the principal part of urban economic activities - the condition of the economic operations of enterprises. We all know that following the expansion of the decision-making power of the enterprises, the enterprises are no longer the appendices of state organs, or pure-and-simple units responsible only for execution of the plan. Rather, they are independent commodity producers with the decision-making power in operations merging on the economic stage and beginning to look for, and set up, the style of their own independent actions. This change in the character of the status of the enterprise, which is the object of the economic management of urban governments, is the starting point of our analysis of the conditions of the economic operations of the enterprises.

The enterprises being a relatively speaking independent commodity producer, in order to enable its economic operations maintain a benign cycle, two large categories of conditions are necessary: one category consists of the internal conditions which the enterprise possesses all along and which are subject to its own disposition. Its main contents include all the man-power owned by the enterprise (quality of the leadership team and quality of the managing and technical personnel and production workers), material power (referring to the scale of the factory and its factory premises, machines, equipment, and so forth), production capacity and ability to develop new products, operation

and management level, and so forth. The other category consists of the conditions provided by its external environment which the enterprise itself has no way to control. Its main contents include the following four phases: first, conditions for balancing the macroeconomy; second, market conditions; third resources conditions; and fourth, public services conditions.

The above-mentioned external conditions for maintaining the enterprise's economic operations in a benign cycle possess a clear-cut special feature. It is that these conditions are absolutely necessary for the economic operations of the enterprise but the scope they touch upon and the scale of their effects far exceed the reach of a single enterprise. Hence, concretely speaking, the object of economic management of urban governments is management of the common external conditions necessary for the enterprise's economic operations. The target of government economic management is the creation of a benign external environment for the enterprises.

Therefore, the reform of the economic management organizations of urban governments cannot be confined to only streamlining the structure and streamlining the personnel, or doing patching up work, but a fundamental transformation should be carried out. Only by so doing is it possible for our economic management organizations or urban governments to render even better services to the enterprises.

III. Principles Governing the Establishment of Economic Management Organizations of Urban Governments: They Must Possess the Character of Being Systematic, Authoritative, and Able to Feedback

The establishment of economic management organs of urban governments belongs to the realm of management science. Starting from the angle of modern scientific management, the establishment of economic management organs of urban governments must, in principle, possess the characters of being systematic, authoritative and able to feedback.

1. Systematic character. The definition of system is that it is a composite structural body of many factors. Talking about being systematic lays stress on the structural character, purposeful character and composite character.

Urban government economic management organs should have a systematic character. Take for example, the planned management system in the economic management organ of an urban government. It has under it various sections and offices taking charge respectively of materials, capital construction, technical transformation, planning, and so forth. Their purposes and functions are all for the enforcement of planned management. However, a planned management system can only perform its functions of planned management through liaison and coordination with other systems such as the information research system, economic coordination system, economic regulation, supervision system and so forth. Contrarily, if it is relied upon to fight its battle alone, it is not possible to carry out any effective planned management of the highly complex economic activities.

2. Authoritative character. Authority implies the unification of wishes. Urban government economic management itself is imbued with authority.

Without such authority, it cannot effectively command, organize, coordinate and supervise the economic activities of the various enterprises and make them manifest a benign cycle. Following the changes in the economic status of the enterprises, management needs all the more to be authoritative in character. And in making urban government economic management possess an authoritative character, it is exceedingly necessary to scientifically establish urban government economic management organs, particularly those new composite management organs of an authoritative character. At present, one of the biggest drawbacks existing in the establishment of economic management organs of urban governments is the lack of an authoritative composite structure which can lead and coordinate in a unified manner. For example, regarding the relations between an urban government's economic committee and its various bureaus in charge, it is a matter of course that the economic committee has the power to coordinate the economic activities of the various bureaus in charge. However, in reality, because the economic committee and the various bureaus are of the same rank, it frequently happens that the bureaus do not submit to the economic committee's unified coordination. As a result, certain matters which clearly can be settled in a short time are allowed, because of disputes, to drag on for several years; and many measures which are rational and are beneficial to both the state and the people but which require cooperation and joint action cannot be carried out. Hence, in my opinion, when government establishes an economic management organ, it should strongly stress the power and authority of the composite management organ, thus reducing the delay to work caused by disputes. At the same time, the various bureaus in charge should gradually transfer their work of issuing daily administrative orders, which they did in the past, to the management organ which attends to coordinate between the industries and trades. This will be suited to the demand of developing horizontal relations among the enterprises.

3. The feedback character. This is a fundamental indicator of whether or not a management system possesses vitality. In modern scientific management, feedback is an exceedingly important concept in the theory of control. So-called feedback is reversion of the results in the enforcement and practice of the leadership's policy decision, so as to compare with the original targets of the policy, thereby affecting, and playing the role of regulation and control vis-a-vis, the formation of the next policy and so that the latter policy will not deviate from the planned target. In the process of economic management, feedback's principal role is to produce reaction to the objective changes caused in the enforcement of the preceding economic decision and thereby makes the necessary proposals for a relevant new economic decision.

As we all know, the largest special feature of modern urban economic activities is their complex and ever-changing character. Under such conditions, in so far as urban government economic management is concerned, no policy is entirely faultless or forever workable. Naturally, we need not fear that our own policy is not perfect and that it may have errors. The point is that if we have a sensitive, correct and forceful feedback, an imperfect policy can be perfected through feedback from actual practice, and an erroneous policy can be converted into a correct one through prompt rectification. Decision-enforcement - feedback - revision - re-decision -- re-enforcement -- re-feedback ..... Thus, an ever-rising cycle can continuously improve and perfect

management work, thereby enabling urban economy to continuously develop in a benign cycle. Unfortunately, at present, there are still many urban governments which in their establishment of an economic management organ provide for a policy-making organ, an enforcement organ, and a regulation and supervision organ but frequently no feedback organ, or, even though provision is so made, the feedback organ is not given sufficient power. As a result, the structure of the urban government economic management organ is distorted. In accordance with an analysis of the above-mentioned points, in my opinion, the basic pattern for the establishment of an urban government economic management organ is as follows:

STRUCTURAL CHART OF URBAN GOVERNMENT ECONOMIC MANAGEMENT ORGANIZATIONS ECONOMIC COMMITTEE

I. Economic information research office:
   1. Information section
   2. Statistics section
   3. Investigation and research section
   4. Inquiries section

II. Planned management office:
   1. Materials section
   2. Capital construction investment section
   3. Energy section
   4. Technical transformation section
   5. Labor personnel section

III. Economic coordination office:
   1. Industry and trade federation section
   2. External economic cooperation section
   3. Internal economic cooperation section

IV. Regulation and supervision office:
   1. Finance bureau
   2. Taxation bureau
   3. Banks
   4. Commodity prices bureau
   5. Industrial and commercial administration & management bureau

V.
1. Construction materials companies:
   a) Enterprise A
   b) Enterprise B
2. Electronics companies:
   a) Enterprise A
   b) Enterprise B
3. Silk filature companies
   a) Enterprise A
   b) Enterprise B
4. Chemical companies:
   a) Enterprise A
   b) Enterprise B
5. Textile Companies:
   a) Enterprise A
   b) Enterprise B
6. Machine-building companies:
   a) Enterprise A
   b) Enterprise B

(And so on)

The economic committee is the highest management organ in the economic leadership work of urban governments. It should be constituted by the responsible persons of the relevant economic departments of urban governments. Its functions consist of overall planning, coordinating, supervising and servicing urban economic work, thus to ensure the normal progress of urban economic activities. The problems to be solved here are mostly of a ruling or adjudication nature, with the emphasis laid on centralization and unification and the organization should be highly prestigious. Under it, there are four large composite economic management structures:

1. Economic information research office. Its functions consist of taking charge of research on urban socio-economic development strategies and research projects assigned by the state and provincial relevant departments; it investigates, studies and offers solution for current important economic topics, organize the relevant departments and specialists for consultation and discussion, and suggests various kinds of enforcement plans for selection; it performs the job of collecting, adjusting and processing various kinds of information for supply to various relevant departments and enterprises for reference; it organizes within the city research and exchange of economic knowledge and is responsible for organizing, guiding and forming into a network research projects forwarded by the city's relevant specialized economic research organs.

2. Planned management office (or committee). Its functions consist of forwarding in a unified manner to the city's specialized companies or factories plans sent below from the state and province; it formulates medium-term and long-term plans for the national economy and social development; and it performs the jobs of making composite planning for city construction, handling and managing the mandatory plans and correctly formulating the guidance plans.

3. Economic coordination office (or committee). Its functions consist of the following: Both inside and outside the urban area, to earnestly perform a good job in reconstructing and banding together industrial enterprises and promoting economic intercourse between the various industries, trades and enterprises, centering on backbone enterprises, products of well-known brands and comprehensive use of materials in combination with the nature and special features of the local area; to manage, in a unified manner, matters concerning technology, funds and introduction of equipment in opening to the outside, matters relating to various kinds of joint operation with foreign merchants and matters concerning imports. Here, we should stress the role of the industry and trade federation. Its main function is to exercise control over the enterprises of the industries and trades within the urban area, but it does not directly manage the enterprises' affairs concerning personnel, finance, materials, production, supply and marketing.

Rather, its principal functions are to formulate long-term and current or short-term plans for the local industries and trades, provide the enterprises with various kinds of technical information and inquiry services, promote reorganizations and merges within the local industries and trades, assist the enterprises in training various kinds of specialized personnel, organize various kinds of technological exchanges and interflow of management experiences between the enterprises and carry out technological and economic evaluations.

4. Economic coordination office (or committee). Its function consists of constantly studying and deciding on problems relating to the comprehensive use of economic levers. This is to say, within the prescribed scope of the state guidelines and policies and the relevant ordinances and regulations, and working with the financial, taxation, banking, commodity prices and industrial and commercial administrative control departments in accordance with the urban economic development needs, it formulates certain local flexible measures to invigorate the economy, and employs various economic levers such as pricing, credit and loan, taxation, and so forth, to regulate the economic activities of the localities; and at the same time coordinate, in a unified manner, the activities of the various organs, and exerts powerful supervision over the entire economic operation condition of the city, principally strengthening financial supervision, planning supervision, market supervision, and loan and credit supervision.

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CSO: 4006/395

SHANDONG CONDUCTS GENERAL TAXATION, FISCAL INSPECTION

SK280517 Jinan Shandong Provincial Service in Mandarin 2300 GMT 27 Nov 85

[Excerpts] The provincial general taxation and fiscal inspection has been carried out in a solid, deep, and smooth manner. Notable achievements have been made in the inspection work.

As of mid-November, 320,000 state and collective enterprises, administrative institutions, township- and town-run enterprises, village-run enterprises, and individual households have carried out self- and mutual-inspection or have been inspected by specialized groups. A total of 403 million yuan in finds acquired by violating economic and financial discipline have been discovered, 2.7 times more than that of last year. So far cases involving 290 million yuan of illegal funds have been concluded, and these funds will possibly be returned to the state. A total of 166 million yuan of illegal funds have been returend to the state.

The province has done a good job and scored notable achievements in the general taxation and fiscal inspection. The main reasons are as follows:

First, CPC committees and governments at all levels have paid attention to and adopted better organizational measures for the inspection work.

Second, the province has done a better job in propaganda and mobilization work. Propaganda and mobilization work has been carried out in an early, deep and extensive manner.

Third, the province has adopted clear and definite methods and steps and effective measures for conducting the inspection work.

However, many problems exist in our province's general inspection work.

First, progress in the inspection work is not balanced. More than 90 percent of the units in some areas that should be inspected have carried out self- and mutual-inspection, while less than 70 percent of the units in some areas that should be inspected have carried out this work. In some areas more than 40 percent of the units that should be inspected have been inspected by specialized groups, while some areas have only inspected less than 2 percent of the units that should be inspected.

Second, some areas have not placed the general inspection work on the main work agenda. Leaders, though they assume leadership, show no concern over the inspection work. Unqualified specialized inspection personnel have failed to meet the demands of the general inspection work.

Third, some areas have failed to handle the problems that have been discovered through inspection in accordance with the unified policy set forth by the central authorities and the province. Some have denied their problems. Some did not report reality to the higher levels.

Fourth, assessing this general taxation and fiscal inspection, the inspection of taxation has been better than that of financial affairs, and the inspection among enterprises has been better than that among administrative institutions.

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CSO: 4006/375

FINANCE MINISTRY CITED ON TAX CRACKDOWN RESULTS

HK100851 Beijing CHINA DAILY in English 10 Dec 85 p 3

[Text] The nationwide tax crackdown launched last October has resulted in uncovering tax evasions totalling nearly 2.8 billion yuan, according to the Ministry of Finance.

By last month, 1.65 billion yuan had been paid to the state treasury by the enterprises involved, the ministry's spokesman revealed.

The first stage of the inspection drive, during which the enterprises were required to examine their own accounts or the accounts or related enterprises, has almost concluded. This month, the drive entered its second stage, focusing on state inspection of key enterprises, the spokesman said.

Anhui Province has been cited by the ministry as outstanding in the provincial tax-inspection drive, which was personally handled by its provincial governor. The Anhui Steel Corporation has voluntarily declared and paid 2.39 million yuan in evaded taxes through self-inspection under the guidance of the provincial leadership.

The other provinces or municipalities praised by the ministry include Guangdong. Liaoning Province and Beijing City, which have all made marked progress in retrieving evaded taxes as soon as the cases were verified. [as received]

Liaoning Province has already recovered 144 million yuan out of a total of 231 million yuan of evaded taxes discovered during the inspection. Beijing has also retrieved most of the 134 million yuan of taxes verified as evaded thus far.

The State Council has, meanwhile, decided to set up "auditing offices" in the provinces and "auditing agents" in the country's key enterprises to enforce regular financial inspection, according to the PEOPLE'S DAILY.

The provincial auditing offices are under the direct control of the State Auditing Agency and have the authority to inspect and report local violations of financial discipline to the state agency, according to the decision. They are also authorized to override such orders of the provincial government, which run counter to the decisions of the State Auditing Agency, it said.

The State Auditing Agency, according to the State Council decision, will dispatch its auditing agents to stations in Shanghai, Shenyang, Wuhan and Guangzhou cities beginning next year to make on-the-spot inspection of financial discipline in these major cities. Such agents will also be stationed at a number of key state-owned enterprises to carry out regular financial inspection, the newspaper said.

The State Council has urged the provincial governments to give their unreserved support to the work of the auditing agents.

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CSO: 4020/124

TIANJIN HOLDS MEETING ON TAX, FISCAL INSPECTION

SK220515 Tianjin City Service in Mandarin 0030 GMT 22 Nov 85

[Text] The self- and mutual-inspections on taxation, financial affairs and commodity prices have comprehensively been launched across the municipality. Initial successes have been made in this work.

According to statistics, as of the end of October, of the local state and collective enterprises and the administrative institutions across the municipality, more than 55,000 launched self-inspection, and more than 13,000 mutual-inspection. More than 50 million yuan of funds gained by violating the financial and economic discipline that should have been returned to the state have been discovered. Of the illegal funds, more than 28 million yuan have been returned to the state.

Through the self- and mutual-inspection on taxation, finance, and price during the past 2 months, the broad masses of cadres and staff and workers have generally received a profound education on implementing policies and abiding by discipline and the law, and further understood the necessity of launching this general inspection. Through the self- and mutual-inspection work, the problems of violating the law and discipline in the economic field such as evading taxes have been uncovered. The inspection work has also brought about comparative advantages in strictly enforcing the financial and economic discipline, stopping all loopholes, and eliminating unhealthy practices.

On 21 November, the municipal leading group in charge of the general inspection on taxation, finance, and prices held a report meeting on the general inspection on taxation, finance, and price.

The municipal textile bureau, foreign trade bureau, metallurgical bureau, and housing administrative bureau introduced their situation of conducting the self- and mutual-inspection work.

Li Changxing, vice mayor of Tianjin Municipality; and (Hu Junyang), chief of the group in charge of the taxation, financial and price inspection work dispatched to Tianjin by the State Council, attended and addressed the meeting.
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CSO: 4006/375

GANSU CIRCULAR ON RUSHING TO SPEND MONEY AT YEAR'S END

HK291346 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 26 Nov 85

[Text] The provincial people's government recently issued a circular, demanding that all places and departments step up the organization of financial revenue and strictly prohibit people from rushing to spend money at the end of the year.

The circular points out: The situation in financial revenue and expenditures in our province this year is good. With a view to guaranteeing a balance of financial revenue and expenditures for the whole year, all places and departments must now lay stress on four aspects of work:

1. It is necessary to do a good job in increasing production and practicing economy to ensure increased production and income. All departments must take measures to reduce consumption and vigorously fulfill and overulfill their quotas for submitting taxes and profits to the state. Moreover, they must continue to do well in reducing deficits and increasing surpluses. The enterprises which incur losses due to poor management must not exceed the originally prescribed quotas for losses.

2. It is essential to carry out well the large-scale inspection of revenue and financial work from start to finish and to really correct the practices of indiscriminately apportioning expenses, increasing the ratio of retention without authority, changing the method of retention, and enlarging the scope of retention which violate financial and economic discipline.

3. It is imperative to strictly control expenditures and to prevent people from rushing to spend money at the end of the year. Beginning now, in principle, additional expenses must not be made. The financial departments must strictly control nonproductive expenses. Banks at all levels must do well in grasping the large-scale inspection of cash, strengthen supervision of accounts, and do auditing work well. All units are not allowed to transfer state funds in the form of for goods or paying deposits in advance.

4. It is necessary to strictly enforce financial and economic discipline. It is essential to severely deal with those who practice fraud, privately

share commodities, indiscriminately issue bonuses, materials, and subsidies, give dinners and gifts, violate financial and economic discipline, and rush to spend money at the end of the year. The responsibility of leaders concerned must be investigated and affixed. Corresponding punishment must be meted out where necessary.

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CSO: 4006/375

STATE COUNCIL APPROVES REPORT ON AUDITING

OW081117 Beijing XINHUA Domestic Service in Chinese 0155 GMT 8 Dec 85

[Text] Beijing, 8 Dec (XINHUA)--The State Council recently approved and distributed the "Report on Improving Leadership over Local Auditing Work and on Issues in Setting Up Agencies" submitted by the Auditing Administration, and notified the departments concerned in various localities to implement this report.

The report of the Auditing Administration said: In order to help auditing organizations become relatively independent organizations, the Auditing Administration will further strengthen its leadership over local auditing work. The Auditing Administration will set up some agencies in some major districts or key enterprises.

This report contains the following main points:

1. Improve leadership over local auditing work. In order to ensure that the auditing organs at all levels may independently exercise their power in supervising auditing work according to law, the Auditing Administration makes the following provisions for strengthening its leadership over local auditing work:

(a) The local auditing organs must implement the decisions and regulations made by the Auditing Administration on auditing work in accordance with the guidelines and policies of the state. It is necessary to act according to the decisions or regulations made by the Auditing Administration on auditing work, if those made by the local government differs from those of the Auditing Administration.

(b) The local auditing organs must earnestly implement the auditing plans formulated by the Auditing Administration and carry out the auditing work for various trades in the country, special auditing projects, and auditing assignments designated by the Auditing Administration.

(c) The situation in doing auditing work by the auditing bureaus of various provinces, autonomous regions, and municipalities under the direct administration of the central government and major problems in violation of party discipline and other relevant documents and reference materials must be timely reported to the Auditing Administration.

(d) The Auditing Administration has the authority to correct the improper decision or conclusion made by a local auditing organ.

(e) All conclusions and decisions on auditing work made by any local auditing organ that affects the revenues and expenditures of the central government or conclusions and decisions made by any local auditing organ in handling auditing assignments designated by the Auditing Administration must be reported to the administration for the record. Prior approval must be obtained from the Auditing Administration for any decision made in handling an important case.

(f) Prior agreement must be obtained in appointing, dismissing, transferring, or taking disciplinary action against any auditing bureau director or deputy director in a province, autonomous region, or municipality under the direct administration of the central government.

2. The Auditing Administration will set up its agencies in some major districts or key enterprises. During 1986, it will send specially appointed auditors to Shanghai, Shenyang, Wuhan, Guangzhou, and other cities and a few large-sized enterprise under the control of the central government to carry out auditing and supervisory work on a trial basis within the authorization given by the Auditing Administration. They are responsible to the Auditing Administration. The specially appointed auditors will be assigned by the Auditing Administration. An office will be set up under the leadership of the specially appointed auditor to handle specific work for auditing. As for the dispatch of specially appointed auditors in other areas, such issues must be brought up by the Auditing Administration and discussed with the relevant departments according to work conditions and requirements.

To improve leadership over local auditing work and set up agencies is an important measure in strengthening auditing work. The local people's governments at all levels must continue to strengthen their leadership over auditing work, vigorously support the work of auditing organs, and help them solve the actual problems in doing their work.

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CSO: 4006/396

ICBC BRANCH IMPROVES CREDIT LOAN BUSINESS

OW081335 Beijing XINHUA Domestic Service in Chinese 0036 GMT 8 Dec 85

[Excerpts] Hefei, 8 Dec (XINHUA)--The Fuyang Branch of the Industrial and Commercial Bank of China [ICBC] has enlivened its credit loan business this year after tightening the money market and controlling credit loans.

By the end of November, the branch had increased its lonable funds by 13 percent over the same period of 1984 and its loans by 20.7 percent to a cumulative total of more than 540 million yuan.

Last year the bank took various measures to make more funds available for loans. Under a savings arrangement with 36 depositor-enterprises, it expedited the flow of their funds to increase the amount of savings. By the end of November, favorable balances of all kinds of accounts had increased by more than 19 million yuan, up 21.4 percent from the same period of 1984. Through the cash control facilities it had established in 547 units, the bank was able to tighten the procedures involved in screening requests for large sums of cash, wages, and bonuses, and control the circulation of money. By the end of November, the net amount of funds withdrawn from circulation had reached 96.84 million yuan, up 18.8 percent from the same period of 1984.

With adequate funds available for loans and in accordance with the needs of economic structural reform and economic development, the bank has extended its credit loan business to include retail outlets, economic entities, sales exhibitions, and collective-run service trades, thereby promoting economic prosperity.

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CSO: 4006/396

HONG KONG PAPER LISTS NEW HEAD OFFICE PERSONNEL OF BANK OF CHINA

HK240756 Hong Kong WEN WEI PO in Chinese 23 Nov 85 p 1

[Dispatch from correspondent Cheng Hsiang [4453 5046]: "Personnel Reshuffle in Head Office of Bank of China"]

[Text] In order to increase its strength, the sixth joint conference of the 4th auditorial committee of the Board of Directors of the Bank of China announced a big personnel reshuffle today: The increase of six new managing directors and six directors to its Board of Directors. Huang Diyan [7806 3321 1484], who is now working for the Hong Kong and Macao branch of the Bank of China, is promoted managing director.

The six new managing directors are:

Chi Haibin [6688 3189 3453]: vice minister of finance;

Chen Xian [7115 0341]: deputy director of the State Planning Commission;

Yin Jieyan [3009 0094 3508]: secretary-general of the Council of the People's Bank of China;

Ling Zhi [0407 1807]: vice president of the Bank of China;

Lei Zuhua [7191 4371 5478]: vice president of the Bank of China;

Huang Diyan [7806 3321 1484]: director of the Hong Kong and Macao Management Office of the Bank of China;

The six new directors are:

Huang Jun [7806 0193]: vice president of the Industrial and Commercial Bank of China;

Zhang Wenqi [1728 2429 3825] (female): vice president of the Agricultural Bank of China;

Dai Ganding [2071 0051 1353]: general manager of the London Branch of the Bank of China;

Zhou Zhenxing [0719 2182 5281]: general manager of the New York Branch of the Bank of China;

Huang Yinchu [7806 5593 0443]: president of the Guangzhou Branch of the Bank of China;

Xue Jingzheng [5641 6975 6086]: president of the Shanghai Branch of the Bank of China.

After the conference, a spokesman for the Bank of China told reporters that the big personnel reshuffle will be conducive to bringing into full play the role of the Bank of China which specializes in the state foreign exchange business--improving its service, expanding its business, strengthening its administration and highlighting its prestige.

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CSO: 4006/375

ASIAN DEVELOPMENT BANK POSTPONES ANNOUNCEMENT ON PRC APPLICATION

HK270400 Hong Kong AFP in English 0352 GMT 27 Nov 85

[Text] Manila, 27 Nov (AFP)--The Asian Development Bank (ADB) has postponed until tomorrow the announcement of its decision on China's application for membership, a spokesman said today.

The bank was due to make the statement at 0800 GMT today, but high officials decided to postpone it for undisclosed reasons, ADB spokesman Reynaldo Pacheco told AGENCE FRANCE-PRESSE.

He refused to answer when asked if this meant a change in the decision, saying only that "I just got word from one of the bank's officials" about the postponement. He firmly refused to give any hint on what kind of decision the institution has taken on the issue, or if the decision was final, but confirmed that the ADB board met yesterday.

Chinese Embassy sources here confirmed that at least two officials of the People's Bank of China are in Manila. The ADB spokesman said he did not know if they had met with ADB officials.

Taiwan, a founding member of the 18-year-old ADB which now has 31 Asia-Pacific and 14 European and North American member nations, has strongly opposed China's application, bankers say.

The ADB's leading funders are Japan and the United States. It gives ordinary and concessional loans to its 28 developing member countries, with total 1984 lending placed at 2.234 billion dollars.

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CSO: 4020/118

TRAVELLERS CHECK MARKET DEVELOPS RAPIDLY

HK220447 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 22 Nov 85 p 3

[Article by Cecilia Lo]

[Text] The China market for travellers cheques has been developing quickly in recent years in keeping with the growing number of visitors to the mainland, said the director and general manager of London-based Thomas Cook Financial Services Ltd, Mr W. Scott Thomson. Mr Thomson, who is in Hong Kong, said the expansion of travellers cheques in Asian markets has generally slowed down in the past 2 years due to the decline in the world economy.

But China remains a potentially vast market and efforts are being made to further promote the use of travellers cheques, not only by visitors but by Chinese Government delegations and trade missions travelling abroad.

Mr Thomson said he has talked with senior Chinese officials on ways to extend the use of travellers cheques in the country, including the issue of renminbi travellers cheques, during a recent visit to Beijing. He does not rule out the renminbi issue possibility, but this needs to be done in cooperation with the Bank of China and will be a long process.

Thomas Cook has cooperated with the BOC [Bank of China] to issue specially-designed U.S. dollar travellers cheques.

Mr Thomson said sales had soared more than 100 percent since they were launched early last year. Now 35 BOC branches on the mainland act as agents for the cheques. Mr Thomson expects the number of sales outlets to increase as more foreign banks are permitted to open branches in the special economic zones.

He conceded credit cards could be a major competitor to Thomas Cook travellers cheques, but as card holders are confined to a credit limit and the process for using the cards is quite complicated in China, he says the cheques still have the edge.

According to Mr Thomson, Thomas Cook is the world's largest issuer of travellers cheques outside the United States with projected sales of more than U.S.$5 billion for this year.

In the Far East, Thomas Cook's market share is about 28 percent while in Hong Kong it owns about 35 percent of the travel money market, issuing in 11 kinds of currencies.

On a global basis excluding the United States the market share of Thomas Cook travellers cheques for this year will reach 30 percent.

There is still a big market in Asia that has yet to be tapped, believes Mr Thomson, but the determining factor is the ability to pursuade people not to take cash.

The company has recently launched travellers cheques denominated in European Currency Units (ECUs) which is a basket of European currencies weighted according to the relative strength of the various contributors.

Mr Thomson said of Thomas Cook's 30,000 agencies worldwide, about 1,000, mostly located in Europe, have already taken up stock in ECU travellers cheques.

He admitted that it will take time for people to be aware of the ECU cheques.

In Hong Kong, a number of banks, including the Hong Kong Bank, are considering becoming agents for ECU travellers cheques. Mr Thomson said he expects a number of them to be selling the cheques by early next year.

He predicted the volume of ECUs on a worldwide basis will grow at a rate of 5 percent a year.

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CSO: 4020/118

CHINA HAS ABSORBED $5.4 BILLION FOREIGN CAPITAL DURING PAST 6 YEARS

HK291019 Beijing ZHONGGUO XINWEN SHE in Chinese 1522 GMT 25 Nov 85

[Report: "China Has Actually Absorbed Foreign Capital of About $5.4 Billion Over the Past 6 Years"]

[Text] Xiamen, 25 Nov (ZHONGGUO XINWEN SHE)--Shi Lin, advisor to the Ministry of Foreign Economic Relations and Trade, announced here today that during a period of 6 years since 1979, China has actually absorbed foreign capital of about $5.4 billion.

Shi Lin expressed the remarks to Chinese and foreign economic personages at the opening ceremony of a meeting aimed at promoting investment in Fujian, jointly held by the Fujian People's Government and the UNIDO [United Nations Industrial Development Organization] in Xiamen. He added that over the past 6 years, China has promoted rapid progress in absorbing direct investments from foreign countries. Up to September this year, China has signed 7,030 contracts with foreign investors, involving foreign capital of $14.7 billion.

It has been learned that of these investment projects, there are 1,897 enterprises based on Sino-foreign ventures. Besides, 3,408 enterprises are run by China in cooperation with foreign investors. There are 109 enterprises which are solely run by foreign capital. There are 30 items of off-shore oil exploitation based on cooperation between China and foreign investors, and 1,585 items of compensation trade.

According to statistics compiled from January to September this year, China has made new progress in absorbing foreign capital, and 2,197 contracts have been signed, involving $4.1 invested by foreign enterprises. More than $1 billion has been actually used.

While talking about the problems of implementing policies aimed at encouraging foreign investment, and enacting and perfecting laws and regulations on economic and trade relations with foreign countries, Shi Lin said that China has so far promulgated more than 50 specific laws and regulations, signed investment protection agreements with 5 countries and signed agreements with 5 countries on avoiding dual taxation. Some other agreements are under discussion.
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CSO: 4006/375

BEIJING COMPANY INSURES FOREIGN-FINANCED PROJECTS

OW260832 Beijing XINHUA in English 0803 GMT 26 Nov 85

[Text] Beijing, 26 Nov (XINHUA)--The Beijing City Insurance Company has opened a dozen new policies for enterprises and projects involving foreign investment.

These include insurances against losses during goods transport, machine failure, risks in construction, loss of life and property, disruption of business and theft.

The company has also worked out policies for tourist hotels which include indemnity for all accidental losses from the construction period through to the opening of the hotel.

It practices international standards for these policies, said General Manager Wang Yuquan in an interview with XINHUA today.

During the first 9 months of this year it collected premiums amounting to U.S.$900,000 from 84 jointly invested tourist hotels, enterprises and agencies of foreign firms in Beijing, as against $30,000 in 1980.

Last September, the Great Wall Hotel received U.S.$15,000 from the local insurance company to cover damage caused by a burst water pipe.

Beijing insurance companies also cover against lawsuit damages.

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CSO: 4020/118

CITY IN SICHUAN PROVINCE INCREASES REVENUE

OW031741 Beijing XINHUA in English 1459 GMT 3 Dec 85

[Text] Chongqing, 3 Dec (XINHUA)--All-round reforms have enabled Chongqing, the biggest industrial city in southwest China, to achieve a nearly 32 percent increase in revenue in the first 10 months of this year. The city's revenue amounted to 1.47 billion yuan during the January-October period and is expected to reach a total of 1.56 billion yuan by the end of this year, an official of the city finance bureau said here.

The city, in Sichuan Province, is among the first areas in China to try out all-round economic reforms. Its revenue had stood at 1.1 billion yuan annually for 4 years in a row before its reform program started 2 years ago. With greater decision-making powers granted by the government, enterprises now have more funds at their disposal to upgrade technology and equipment, the official said.

State-owned factories spent 600 million yuan on 197 modernization projects last year, resulting in an extra output value of 580 million yuan. As a result, they have paid more taxes to the government this year, contributing heavily to the city's increased revenue.

In addition, Chongqing has opened its doors to the rest of the country since last year, in a bid to break down regional barriers and achieve common prosperity. Now, 500 firms from elsewhere are doing business here.

Meanwhile, the influx of products from other parts of China has spurred local factories to enhance the competitiveness of their goods by increasing variety and design, and improving quality, the official noted.

Moreover, local military factories have helped increase their revenue by developing hundreds of products for civilian use over the past few years, he said.

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CSO: 4020/118

SHANDONG REPORTS RISE IN URBAN CONSUMPTION LEVELS

SK230810 Jinan DAZHONG RIBAO in Chinese 9 Nov 85 p 1

[Text] While having their income increase substantially, urban residents have also raised their consumption level. Per-capita living expenditures were 522.97 yuan in 1974, and are expected to reach about 650 yuan this year, registering a 64.1-percent increase over 1980, and averaging an annual increase of 10.4 percent. The improvement in the consumption level has been followed by a series of changes in consumption patterns.

The consumption of foodstuffs has changed from "stale foods" to "nonstaple foods."

The "Sixth 5-Year" Plan period has witnessed great development of industrial and agricultural production, and an increase in the suply of foods. With increased income, people have begun to eat better food. Consumption of the staple food--grain--has declined, and that of nonstaple foods and other nutritious foods has risen every year. Per-capita food expenditure was 312 yuan in 1984, and is expected to reach 370 yuan this year, showing a 62-percent increase over 1980, averaging an annual increase of 10 percent. Expenditures for nonstaple and other foods has increased from 72 percent in 1980 to more than 80 percent, and that for staple foods has declined from 28 to 20 percent. Some high-protein and low-fat nutritious foods are loved by urban residents. From 1980 to 1985 the average annual consumption of beef and mutton, poultry, fresh eggs, fresh vegetables, fruits, fresh milk, and canned foods increased by about 10 percent. The average increase of eggs was the greatest, about 16 percent.

The "Sixth 5-Year" Plan peiod has also witnessed changes in the direction of the people's purchases. Following the increasing thriving of farm and sideline product markets and trade fairs, urban residents have changed the major source of goods from commercial departments to farm and sideline product markets, individual stalls, and various other channels, thus expanding their selection and bringing convenience into their lives.

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CSO: 4006/375

SHANDONG REPORTS RISE IN INCOME URBAN HOUSEHOLDS

SK230805 Jinan DAZHONG RIBAO in Chinese 8 Nov 85 p 1

[Text] During the "Sixth 5-Year" Plan period, industrial and agricultural production, and various other economic undertakings have developed at a fairly quick rate. The average annual increase in the income for living expenses of urban households is 12.9 percent. When allowing for price rises, the actual annual increase is 9.9 percent.

1. The Standard Wages of Staff Members and Workers Has Increased.

In 1981 and 1982 the state raised the grades on the wage scale for staff members and workers of cultural, educational and health units, state organs, scientific research organs and institutes. In October 1983 and in the latter half of 1984, enterprises readjusted their wages. In addition, many units have enforced the floating wage system over the past few years. All this has enabled the standard wages of staff members and workers to increase substantially. The per-capita income was 399.94 yuan in 1984, and is expected to reach 497 yuan in 1985, showing an increase of 193.6 yuan, or 63.8 percent, over 1980.

2. The Bonus Income of Staff Members and Workers Has Increased.

The bonus income of staff members and workers has increased fairly greatly over the past few years thanks to further implementation of the principle of distribution according to work. The average bonus income of every urban resident was 79.91 yuan in 1984, and is expected at nearly 100 yuan, showing an increase of 60 yuan, or 150 percent, over 1980.

3. Non-wage Subsidies and Other Income That Staff Members and Workers Earned From Their Work Units Have Increased.

When relaxing control over the prices of meat, poultry, eggs and vegetables in May, our province has also issued 4 to 5 yuan of price subsidy to every staff member and worker. In addition, most units have issued additional money for their staff members and workers to cover cleaning, haircuts, and periodical and newspaper suscriptions. This has enabled urban households to increase their income.

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CSO: 4006/375

LIAOWANG DISCUSSES REFORM OF PRC INSURANCE SYSTEM

HK091125 Hong Kong LIAOWANG Overseas Edition in Chinese No. 4, 2 Dec 85 pp 14-15

[Article by reporters Li Shiyi [2621 0013 5030] and Wu Ming [0702 2494]: "New Proposals on Reforming China's Social Insurance System"]

[Text] Along with the development of economic reform in the cities and countryside and social progress, China will also reform its social insurance system. This reform is already included in the items of the Seventh 5-Year Plan. Recently, some Chinese economists and sociologists gathered in Beijing and put forward some new proposals on reform of the current social insurance system. The following are some of the proposals:

--to reform the insurance system for retired staff and workers;

--to establish an insurance system for unemployed workers;

--to reform the medical insurance system for staff and workers;

--to establish a social insurance system for self-employed workers in cities and towns and for rural laborers; and

--to promote social welfare services.

Chinese Premier Zhao Ziyang once said: "The problem concerning social insurance is one which has been naturally formulated in the reform and which needs to be reformed completely." He demanded that relevant departments of the State Council work out plans for this.

Ensuring the basic life of the citizens and achieving stability is a troublesome problem for all governments.

How should China appraise its previous insurance systems and establish new ones?

Expand the Range of Social Insurance, Work for Social Progress

Old China was unable to provide social insurance for its citizens. But New China has performed its obligations very well. As early as in 1951, the Council of State Affairs (predecessor of the State Council) promulgated New China's first legislation on social insurance. After that, it continued to promulgate various regulations on social insurance. Through our past efforts over more than 30 years, a very good foundation has been laid in this respect. It includes the following five aspects: social insurance (labor insurance), social welfare, social relief, public medical insurance and public health, and preferential treatment and pensions for service, their families, and the families of martyrs. There are also explicit stipulations in China's Constitution on social insurance.

The social target pursued by the people's China is "to enable old people to live happily in their remaining years, people in the prime of life to fully display their ability, and children to grow up healthily; and to provide for widowers, widows, orphans, childless people, and the disabled." So far, in a country with low revenue but a large population of 1 billion, in light of its national situation, China has made the first step in ensuring the primary living standard of its citizens. In the cities, it has provided more than 110 million laborers with stable jobs and all kinds of welfare services. This is really not easy for China, which does not have many cities and has an urban population of little more than 200 million. In the countryside, it has helped households in difficulty among the 800 million peasants to reduce their difficulties by means of state subsidies and mutual help among the peasants collectively, supplemented by mutual help among the peasants individually. By the end of last year, the state had already spent more than 30 billion yuan on civil subsidies. All this has been praised and supported by the people, because it represents epoch-making social progress in Chinese history.

"Serve the people" is the code of conduct for New China. Following the economic growth, the range of New China's social insurance has been continuously expanded. For example, the retirement system was first practiced in 1951 in large and medium state enterprises before it was adopted by state organs and institutions as well as large collective units. The Chinese economists and sociologists fully affirmed this practice. They held that the new social insurance system should be further developed on this basis. The irrational factors in this system should be discarded and some new regulations should be established so that the range of social insurance can be steadily expanded.

The range of China's current social insurance system is still not [word indistinct]. For example, the problem concerning social insurance for the staff and workers of many small collective units, for millions of self-employed workers in towns and cities and staff and workers in Chinese-foreign joint ventures, for 35 million contract and temporary workers in the enterprises, and for large numbers of unemployed workers in towns and cities, has not yet been solved. In addition, the problem concerning social insurance for [word indistinct] hundred million rural laborers still needs to be taken into the state's overall consideration.

These new situations and new problems have emerged along with China's economic reforms in both cities and countryside over the past few years. The spscialists have also niticed that since the emergence of diverse economic forms and employment systems, the original social insurance system can no longer suit the new situation. Therefore, the reform of this system is unavoidable and imperative.

Raise the Degree of Socialization, Strive for Better Results in Social Insurance

China's current social insurance system is not being carried out throughout the country under overall planning, but is being carried out separately in various social units. As a result, social insurance becomes a kind of "enterprise insurance" and "unit insurance." Take retirement insurance for example--in 1978, there were 3.14 million retired workers in the whole country and the pension paid was 1.8 billion yuan. Last year, the number of retired workers rose to 14 million, and the pension rose to 10.5 billion yuan. It is estimated that by the end of the century the number of retired workers will increase to about 40 million, and the pension to 40 billion yuan. The proportion of pensions in the total wages has increased from 3.5 percent in 1978 to 9.7 percent in 1984 and will reach about 25 percent in the year 2000. Normally, this increasing expenditure on pensions should be regulated by he society under overall planning so as to ensure social stability. But even to this day, it is still funded by the original work units of the retired workers. In Shanghai, China's old insustrial base, the ratio between workers at their posts and retired workers is as high as 3.8 to 1. But the ratio in new industrial areas such as Xizang and Guangxi is just 14 to 1. Chengdu's transport and loading and unloading company in Sichuan is an old enterprise. The ratio between its working staff and workers and retired staff and workers is 1 to 1. Thus, it has to pay 2.9 million yuan in pensions every year and though it earns more than 1.5 million yuan of profits a year, it becomes an enterprise suffering losses. However, as a picture tube factory in Shaanxi Province is a new factory, and among its more than 6,000 staff and workers there are only 15 retired personnel, it does not need much expenditure on pensions. Such phenomena are quite common in the whole country. Since some enterprises are unable to solve the aggravating problem of retirement insurance due to insufficient financial strength, many new social problems have emerged. They become especially serious when the economic reform aimed at enabling enterprises to develop amid competitions being acrried out.

Another defect which has emerged due to a lack of overall planning in China's social insurance is that laborers are unable to raise their work efficiency or the economic returns of the enterprises. Over the past few years, since the decisionmaking power of the enterprises has been expanded, some enterprises have abused their power and indiscriminately given out bonuses and materials under all sorts of pretexts, and what they have done was not immediately restrained by law. For example, the labor insurance

and welfare funds distributed by state and collective units last year increased by 21.3 percent over the previous year, which was much higher than the growth rate of the national income.

While weighing the relations between social insurance and work efficiency, the Chinese specialists also took note of the lessons drawn by some developed Western countries. In England, as the expenditure on social welfare has been constantly increasing, the tax burden is also increasing. The personal basic income tax rate reaches as high as 60 percent. As a result, some people think that "it is better to deposit than to invest, and better to spend money than to deposit." Since various unemployment allowances are fairly high, many people prefer to rely on government subsidies. In view of this, England is now pursuing a new economic policy to increase the weight of "efficiency," and has begun to reform its social insurance system.

Over the past few years, China has promoted socialization of its social insurance, aimed at increasing the results of social insurance, and has achieved some new progress. For example, instead of merely providing relief to poor peasant households, main efforts have been made to help those households develop production and increase income. In the past 2 years, of the 7 million rural households receiving relief, 3 million households have been extricated from poverty. For another example, China's civil administration departments have established more than 1,600 welfare factories, which have provided job opportunities for more than 180,000 people, including more than 60,000 disabled and sick people, and have been producing more than 1 billion yuan of industrial output value each year.

In view of this, the Chinese experts held that taking positive measures to promote the progress of socialization, to seek better social results, and to establish a multi-layered and diversified network of social insurance is the road China should follow in its future reform of this system.

State, Enterprises, Individuals Rationally Sharing Expenses; Diversifying Forms of Social Insurance

China's current unitary social insurance structure is not in step with the new economic entity which is characterized by the coexistance of diverse economic sectors. For this reason the experts proposed that when establishing the new social insurance system, the method of the state, the enterprise, and the individual rationally sharing insurance expenses should be adopted, and the enterprise will be most responsible for these expenses. They also upt forth some new proposals on reforming the current social insurance system, such as:

--Reforming the insurance system for retired staff and workers. It includes: 1. There should be differences in distribution of pension between different economic forms. 2. The pension expenses should be

rationally shared; the enterprises and institutions which have established the new pension system should be chiefly responsible for these expenses, but the individuals should also pay for the expenses, but there must be differences in the ratio of this payment between different economic forms. 3. The insurance funds for pensions should be regulated by social insurance organizations under overall planning. In the first step, they can be regulated under overall planning at the city and county levels, and in the second step, be regulated under overall planning at the provincial, regional, and municipal levels, as well as at the national level.

—Reforming the system of medical insurance for staff and workers and appropriately readjusting some other insurance systems. In the first step, some units may try the method of paying out some medical expenses to individuals. When they go to see the doctor, they will pay for the charges for medicines themselves and retain the surplus if there is any. The excess expsnses can also be reimbursed. In the second step, a general readjustment will be carried out under overall planning on medical expenses. It was also suggested that the 56-day lawful maternity leave for women be appropriately extended.

—Establishing the insurance system for unemployed workers. All units in this country should join the insurance scheme for the unemployed. The employer units should use a proper ratio of their total wages to pay the insurance premium to relevant organizations in charge of this work, but the staff and workers may be exempted from this payment. When the staff and workers have difficulties in their life when awaiting jobs, they are entitled to get unemployment relief funds and medical allowances from the relevant organizations.

—Gradually establishing the social insurance system for self-employed workers in cities and towns and for rural laborers. The self-employed workers in cities and towns can pay a certain sum of provident funds to the insurance organizations every month and receive from these organizations a certain amount of pension after retirement according to relevant stipulations. On the question of social insurance for rural laborers, the experts proposed that this can be first carried out in some towns and townships which have comparatively good economic conditions. The expenses can be rationally shared by the collective units and the laborers working in these units. The enterprises in towns and townships must also establish the insurance system for industrial accidents.

—Promoting social welfare services. While gradually increasing financial allotments for social welfare and relief on the basis of economic development, it is necessary to establish various forms of social welfare facilities through various channels, such as assistance by the state, society, and economic entities, so as to provide more welfare services for disabled and sick people, old people, children, and women.

While reforming the social insurance system, the experts emphasized that it is also necessary to continuously give play to the role of China's traditional social insurance, such as mutual help among neighborhoods and relatives and family pension schemes. The state and the society should encourage this kind of mutual help. They also suggested that a special organization in charge of social insurance funds be established so that these funds can be collected, managed, and paid in a unified way.

Social insurance has become an important concern for all countries. On the basis of studying the experiences of various countries and summing up its own experiences, China is studying and designing its distinctive social insurance system. The successful completion of this system will surely provide China's "second revolution" with a good and stable social environment. This is also the purpose of this effort.

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CSO: 4006/396

COUNTRY TO EXPAND FOREIGN INSURANCE BUSINESS

OW072111 Beijing XINHUA in English 1451 GMT 7 Dec 85

[Text] Beijing, December 7 (XINHUA)--The People's Insurance Company of China (PICC) will strive to expand its insurance business in the field of trade and economc activities with foreign countries in the Seventh Five-Year Plan beginning next year.

The premium income of this part of the business will grow at an annual rate of 18 percent in the next five years, as against the present 10 percent, according to a PICC report approved recently by the State Council.

Areas to be improved include perfecting the articles and clauses on insurance in China's laws and regulations concerning foreign businesses, and enacting and issuing, in the shortest possible time, rules and regulations concerning public liability and motor vehicle insurance policies of China-based foreign enterprises, the report says.

PICC will develop insurance categories needed by foreign tourists in China and China's overseas banking institutions are required to cooperate with overseas insurance companies.

More publicity will be given to the advantages of the insurance business in the expansion of international economic exchanges. And all walks of life should be mobilized to support the business, the report notes.

The insurance business involving foreign currencies has been developing rapidly in recent years, with more than 40 categories opened in all of China's provinces, municipalities and autonomous regions, except Qinghai Province and the Tibet Autonomous Region. Insurance has already played a positive role in promoting China's trade and economic cooperation with foreign countries, the report points out.

In contrast with many other countries, however, premium income in foreign currency occupies a very small proportion of China's non-trade foreign exchange earnings. Only a fraction of China's overseas institutions, and China-based foreign institutions and businesses have taken out policies in China. This shows that there is great potential for China to develop the foreign insurance business, the report concludes.

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CSO: 4020/124

BRIEFS

JOINT VENTURE BANK—China's first joint venture bank, the Xiamen International Bank, will begin operations on Thursday. The bank is a joint venture between Panin Holdings Ltd., a local company, and three Fujian Province organizations. A press release issued by the bank said it has obtained a licence for foreign exchange dealings from the State Administration of Exchange Control. It said the People's Bank had approved the bank's establishment on 2 August and a business licence was granted at the end of the same month. The statement was apparently in response to an earlier press report that the joint venture bank had run into problems. The report, published last month, said the bank had yet to obtain a foreign exchange dealing licence and that the Chinese partners had failed to meet the 30 September deadline for injecting their initial investment of U.S.$21.5 million. Panin officials said the report stemmed from "misunderstanding" and that the capital injection had since been completed. The Chinese partners are the Fujian Investment and Enterprises Corp, the Fujian branch of the China Industrial and Commercial Bank and the Xiamen Special Economic Zone Construction and Development Co. [Text] [Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 25 Nov 85 p 8] /9604

FUJIAN PUBLIC BONDS--Fuzhou, 29 Nov (XINHUA)--Fujian Province will issue 10 billion yen in public bonds in Japan under a contract signed in Tokyo earlier this week. The interest rate on the 10-year bond issued by the Fujian Provincial Investment Enterprise Company is 7.1 percent and the issuing value is 100 percent. The company, established in 1979, issued bonds worth 5 billion yen in Japan in August 1983. That was the first time that a local state-owned company had issued bonds abroad, officials here said. The company now has contacts with more than 70 banks and financial institutions abroad. [Text] [Beijing XINHUA in English 0738 GMT 29 Nov 85] /9604

BOC TO TRIPLE CAPITAL--Beijing, 3 Dec (XINHUA)--The capital of the Bank of China will be tripled from one billion to 3 billion yuan, said a bank official today. The tripling of the capital is vital to expansion of the bank's business, the official said. The Bank of China offers investment, leasing, trust, consulting and other services. It has 261 domestic branches and 3,301 agencies under 1,185 foreign banks in 150 countries and regions.

The bank plays a major role in developing foreign trade, organizing and raising foreign exchange, promoting cooperation between Chinese and foreign firms, and channeling information. The bank's total assets have increased from 38.4 billion yuan in 1978 to 200.3 billion yuan at the end of 1984, the official added. This is due to China's modernization program and the opening to the outside world. [Text] [Beijing XINHUA in English 0726 GMT 3 Dec 85] /9604

ANHUI TAX REVENUES--Overfulfilling its annual plan by 2.4 percent 50 days ahead of schedule, Anhui collected 3.49 billion yuan of tax revenues by early November, 870 million yuan more than over the same period of 1984. Of that amount, tax revenues from the industrial and commercial sectors accounted for 2.6 billion yuan. [Summary] [Hefei Anhui Provincial Service in Mandarin 1100 GMT 16 Nov 85 OW] /6662

HAINAN REDUCES LOANS AMOUNT--The region's banks at various levels have strengthened their administration and rationally reduced the amount of loans granted. By the end of October, the region totally reduced the amount by over 1.418 billion yuan, overfulfilling this year's assigned quota by 223 percent. The banks achieved this by clearing up mature and overdue loans and reducing the amount of loans granted for unjustifiable reasons, while supporting industrial and agricultural production, as well as the circulation of commodities. Moreover, they increased the number of outlets for savings deposits and offered good services so as to attract savings. By the end of October, the region's balance of savings deposits totalled more than 2.47 billion yuan. [Summary] [Haikou Hainan Island Service in Mandarin 0400 GMT 25 Nov 85 HK] /6662

SHANGHAI INVESTMENT FIRM--The Shanghai Investment and Trust Firm has successfully helped negotiate over 700 business deals, worth more than $830 million and involving some $40,000 foreign capital, with foreign businessmen in the past 5 years. [Summary] [Shanghai City Service in Mandarin 1100 GMT 7 Nov 85 OW] /6662

BEIJING CURRENCY WITHDRAWAL--By the end of October, Beijing Municipality withdrew 1.88 billion yuan in currency from circulation, a 57 percent increase over the corresponding period last year. [Summary] [Beijing City Service in Mandarin 1000 GMT 14 Nov 85 SK] /6662

JAPANESE BANKING DELEGATION--Beijing, November 28 (XINHUA)--Chinese State Councillor and Governor of the People's Bank of China Chen Muhua met with Minoru Inouye, president of the Bank of Tokyo Ltd., and his party here this afternoon. Chen, also honorary chairman of the Board of Directors of the Bank of China, said she was satisfied with good relations between the Bank of China and the Bank of Tokyo Ltd. With the expansion of economic and trade relations between the two countries, business relations between the two banks will grow further, she added. Minoru Inouye expressed the willingness of his bank to strengthen its cooperation with the Chinese side. The Japanese visitors arrived here yesterday at the invitation of the Bank of China. [Text] [Beijing XINHUA in English 1324 GMT 28 Nov 85 OW] /6662

CSO: 4020/124

BRIEFS

JILIN MINING DEVELOPMENTS--The drive to conduct reforms has brought about a new situation in Jilin Province's mining development. At present the province has discovered 72 kinds of mineral resources and more than 380 areas with mining deposits. Hundreds of mining spots are worth development. Of these mining resources, deposits of grey (?pyroxenite), (?diatomite), and gold occupy important places in the country. In 1984 more than 1,200 small collieries run by townships and towns in the province turned out 3.72 million tons of coal, accounting for 17.4 percent of the total provincial coal output. The masses turned out 26,000 liang of gold, accounting for 38.2 percent of the total national output. Of the township and town-owned enterprises throughout the province, the number of workers engaged in mining production accounts for 17.6 percent of the total number of workers. They have realized 188 million yuan in output value, accounting for 15.2 percent of the total provincial mining output value. [Excerpts] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 19 Nov 85 SK] /6662

JILIN GOLD PRODUCTION--Jilin Province prefulfilled its annual gold production plan by 2 months, registering a 15.7-percent increase over the same period last year. [Excerpt] [Chanchun Jilin Provincial Service in Mandarin 1030 GMT 21 Nov 85 SK] /6662

HENAN GEOLOGICAL WORK--During the Sixth 5-Year Plan, Henan Province has scored important achievements in geological work. The province has overfulfilled the state quotas for prospecting 18 kinds of main mineral products ahead of schedule and has identified 27 large and medium-sized mineral bases of 11 kinds which can be extracted. Over the past 5 years, the province has successively submitted to the state 264 reports of various categories and discovered 38 places for the production of mineral products of various kinds. Of the 27 large and medium-sized mineral bases already identified, 4 are of gold ore, 3 are of mulybdenum ore, and others are of silver ore, sulfurous iron ore, coal, and gypsum. [Summary] [Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 20 Nov 85 HK] /6662

CSO: 4006/375

HENAN'S YANG XIZONG PUSHES DEVELOPMENT OF TRADING CENTERS

HK291404 Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 26 Nov 85

[Text] From 21 to 23 November, the provincial CPC Committee convened a forum for managers of 12 trading centers throughout the province. Yang Xizong, secretary of the CPC 4th Henan Provincial Committee listened to their detailed reports. He also made a speech on the development of trading centers.

The forum was attended by managers of Anyang, Zhengzhou, Luoyang, Nanyang, Kaifeng and Jiaozuo handicraft trading centers; Xinyang and Shangqiu trading centers; Zhengzhou and Kaifeng nonstaple foodstuffs trading centers; Zhengzhou foodstuffs and aquatic products trading center; as well as Luohe City agricultural and sideline products trading center.

Comrade Yang Xizong said: Trading centers have emerged in the wake of development of the socialist commodity economy. It has bright prospects and can play a very important role. In other words, it possesses Chinese characteristics. Therefore, we must do it well, which is an important part of invigorating circulation as well as a breakthrough point. In a short span of one year, the province's trading centers scored many achievements. The trading centers are but a new thing. We lack experience and face many problems in this respect and we need support for its development. Therefore, leadership at various levels must not exaggerate the importance of problems but actively and enthusiastically support the development of trading centers. The leadership should study their problems in the areas of pricing, taxation, capital and commodities. They should try their best to provide them the necessary external conditions so as to promote reform of the circulation system as a whole. On those people who practice fraud under the signboard of training centers, we should carry out necessary consolidation.

On the pattern and development trend of trading centers, Comrade Yang Xizong pointed out: There are many patterns for developing trading centers. We may try all of them and select the best one through experiment, instead of making a hasty decision on a particular pattern at the start. Whether it focuses on operation or focuses on offering services, a trading center must have the most important feature of providing diversified services. The best trading center should look like this: Whenever one enters the trading center, he can promptly and easily have his demands met. For example, there should buying and seelling of things, facilities for eating out, articles for use

in the bedroom, articles for travelling, as well as things concerning production and technology and information about the market trend across the country. Only thus can the trading center become more brisk. It must offer good services, which must conform to the present living standards. It should provide the same services for commodities of upper and middle grades. The trading centers should diversify their services in the light of actual condtions, so as to meet different requirements.

Comrade Yang Xizong hoped that the trading centers would develop the economic links and would play a more important role. He said: Located on the central plain and having easy access by rail, Henan's trading centers should be very brisk. They have made great contributions to invigorating the circulation channels. But they can hardly meet the demand. It is hoped that our key trading centers will promote their business throughout the nation.

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CSO: 4006/374

BEIJING REVIEW ON SINO-U.S. JOINT VENTURES

OW011158 Beijing XINHUA in English 1117 GMT 1 Dec 85

[Text] Beijing, December 1 (XINHUA)--The volume of U.S. investment in China amounts to one billion U.S. dollars, says the latest issue of BEIJING REVIEW.

About 150 million U.S. dollars of that sum is in the joint ventures and 600 million U.S. dollars has been invested in the joint exploration and development of China's offshore petroleum.

Sino-American joint ventures involve machine-building, chemcials, petroleum, motor vehicles, textiles, food and tourist industries and are located in about a dozen provinces and cities including Beijing, Shanghai, Tianjin and Guangdong Province.

Though many of the joint ventures have not been operating long, they have obtained a fairly high rate of returns.

Tests showed that the quality of the coated razor blades produced by the Shenmei Daily Use Products Co. Ltd., a joint venture financed by the Shenyang Daily Use Metals Industrial Corp. and the Gillette Co. of the United States, has matched Gillette's technical standards. The venture's profits in 1984 were 2.3 times higher than predicted.

China and foreign oil companies have signed 23 contracts for the development of the country's petroleum resources. Of these contracts, the most --12--are with Americans. Some of these companies have already struck oil and gas.

To encourage U.S. investment in China, the two countries have concluded investment insurance, guarantee agreement and an agreement on avoiding dual taxation. An investment protection agreement is now under discussion by officials of the two countries.

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CSO: 4020/116

LICENSE REGULATIONS FOR IMPORTS, EXPORTS REVIEWED

HK200323 Hong Kong WEN WEI PO in Chinese 17 Nov 85 p 3

[Dispatch: "Licensing System To Be Instituted for Exports; Provisional Regulations To Be Announced Shortly"]

[Text] Taiyuan, 15 Nov--The second national work conference on import and export licensing administration closed today in Taiyuan. Members attending the conference discussed China's "Provisional Regulations for the Export Licensing System" and the rules and details for the all-round implementation of the import and export licensing system. They also submitted amendments to the regulations. It is estimated that the regulations will be announced shortly, after examination and approval by the State Council and Departments concerned of the Ministry of Foreign Economic Relations and Trade.

In order to strengthen macro-management over foreign trade, China has over the past 3 years, worked out a series of measures for import and export licensing administration, and has instituted a licensing system for major imports and exports. For example, there are: 43 types of commodity under import licensing administration, the amount licensed accounting for one-third of the year's import target; 152 types of commodity under export licensing administration, the amount licensed accounting for 54 percent of the year's export target. Quota and licensing administration is also instituted for fresh and frozen commodities sold to Hong Kong and Macao. These measures play a positive role in safeguarding the interests of the state, restricting "parallel goods," and stabilizing the market at home and abroad. Due to various reasons, there still exist a number of problems in import and export trade.

From now on we must further improve and perfect the licensing system and institute it in an all-round way. It has been learned that import and export licenses will continue to be issued at two levels. Licenses for major and sensitive commodities will be issued by the Ministry of Foreign Economic Relations and Trade or its commissioners' offices set up at various posts. Licenses for other commodities will be issued by the foreign economic relations and trade departments (bureaus) of the provinces, autonomous regions, municipalities, and relevant cities. It is said that the export licenses will be classified into the following forms: special permit license; quota permit license, and ordinary license.

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CSO: 4006/374

WANG ZHEN MEETS HONG KONG BUSINESSMEN IN GUANGDONG

HK220607 Guangzhou NANFANG RIBAO in Chinese 13 Nov 85 p 1

[Report by Su Kezong [5685 0344 0022]: "Wang Zhen, Vice Chairman of the Central Advisory Commission, Meets Mr Lu Chen-kun and Mr Wu Chih-chi, Encouraging Them To Operate Joint-Venture Enterprises Well"]

[Text] After attending the inauguration ceremony for the completion of the Cuixiang guest house in Zhongshan City yesterday afternoon, Wang Zhen, vice chairman of the Central Advisory Commission, received Mr Lu Chen-kun, chairman of the board of the Hong Kong Juliford Company Limited and vice chairman Mr Wu Chih-chi at the guest house. On this occasion, he encouraged them to run the joint-venture enterprise well.

Wang Zhen said: Your investment in guest houses in China is of benefit to socialist construction. Tertiary industry in China can employ a large number of people and can also accumulate funds. The prospects for your operation of guest houses in China are very bright because they are useful for the development of tourism.

Provincial Governor Ye Xuanping was present on the occasion. He accorded a warm welcome to Mr Lu Chen-kun and Mr Wu Chih-chi and expressed thanks for their investment in Guangdong Province, describing it as a contribution to the provincial economy.

Mr Lu Chen-kun and Mr Wu Chih-chi have heavily invested in a number of projects in our province such as: The Shenzhen railway station; the Shenzhen guest house; a restaurant in the Guangzhou railway station; the overseas Chinese hotel in Guangzhou; the Zhenjiang guest house; the Yuehua service centre in Gongbei; and the Sanlian hotel and the Cuixiang guest house in Zhongshan city. Mr Lu Chen-kun said that to make an investment in the interior of our country has been his long-cherished wish.

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CSO: 4006/407

DAILY REPORTS ARRIVAL OF SAUDI DELEGATION

HK280637 Yinchuan NINGXIA RIBAO in Chinese 12 Nov 85 p 1

[Report: "Saudi Arabian Trade Delegation Arrives in Yinchuan"]

[Text] A 16-member Saudi Arabian trade delegation, headed by (Shehemeren Feirung) accompanied by leaders concerned of the general office of the Bank of China, arrived in Yinchuan by special plane yesterday morning at the start of a 3-day visit to Ningxia. Ma Yingliang, vice chairman of the regional government, and responsible persons of departments concerned were at the airport to greet them.

Mr (Feirung) is one of the 60 wealthiest businessmen in Saudi Arabia and also holds a post in the Arab Foundation. The 60 companies subordinate to his Maphar [word printed in English] group mainly handle oil tankers and oil supply vessels; they undertake housing, road, and bridge construction and also exploit offshore and land oil and natural gas. Through talks and visits to the departments concerned, the delegation he head will explore possibilities of launching economic and technological cooperation with the region.

Yesterday afternoon, Regional Government Chairman Hei Baili me Mr (Feirung) and his delegation in the Ningxia Guesthouse. In a warm and friendly atmosphere, Chairman Hei Baili first outlined Ningxia's conditions to the guests. He said that Ningxia is rich in resources; it is a region that is just opening up. There are very broad fields for launching economic and technological cooperation between us. Chairman Hei Baili hoped that this visit would further promote friendly trading exchanges between Ningxia and Saudi Arabia and other countries. Mr (Feirung) said, this is the first time I have visited beautiful Ningxia. I have made many new friends. We are very interested in many of the economic and technological cooperation projects you propose. After the meeting, the regional departments concerned held talks with the delegation on specific projects for launching economic and technological cooperation.

In the evening, Regional Government Chairman Hei Baili gave a banquet in the Ningxia Guesthouse for the members of the delegation.

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CSO: 4006/374

PRC, NORWAY HEAVILY INVOLVED IN MARITIME EQUIPMENT TRADE

HK220511 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 22 Nov 85 p 3

[Article by Diane Stormont]

[Text] China has become one of the Norwegian maritime sector's most exciting markets, according to a senior Norwegian trade official.

Despite the slump in the world shipbuilding industry, Norwegian exports of ship's gear are booming and the Scandinavian country has become heavily involved in China's new building program through a number of joint ventures and cooperation agreements, Mr Jon-Arne Hammer, area manager for marine equipment of the Export Council of Norway, said yesterday.

Mr Hammer, who has made three sales missions to China this year, was in Hong Kong preparing for his fourth visit.

The trip will encompass two major trade shows, offshore China in Guangzhou next week, and the Marintec China maritime exhibition in Shanghai early next month.

Norwegian companies will have a strong presence at both.

While Norway's traditional shipbuilding sector is declining--yards there are closing as owners place orders overseas--the equipment companies are finding new markets in China, Mr Hammer said.

China's Dalian shipyard is constructing two 70,000 dwt product carriers for Oslo-based shipowner, Osco Shipping A.S., and a 120,000 dwt shuttle tanker for Knutsen OAS Shipping A.S.

The Norwegian state oil company, Statoil, is evaluating future oil demand to decide whether the market will bear an additional two shuttle tankers.

If it perceives the demand is there, Statoil will advise owners it is in the market to charter the vessels should any owner care to place the orders for these ships.

Dalian is hoping to win at least one of these potential orders.

Norwegian owners are also behind two anchor-handling supply tugs built recently in Hudang Shipyard in Shanghai for Australian interests.

Six Norwegian companies are engaged in pool production agreements with their Chinese counterparts, Mr Hammer said.

The Norwegian firms usually supply the main product elements and the expertise while the Chinese provide the raw materials.

Eventually, the Chinese want to see the technological know-how transferred, enabling Chinese companies to produce the equipment.

Autronic Marine A.S. is supplying electronic control, monitoring and alarm equipment to the Shanghai Navigation Instruments Plant, and Golar Metal A.S. is producing incinerators in conjunction with the Nanjing Machinery Works.

A.S. Skarpenord has signed an installation and service agreement with the Shanghai Marine Equipment Research Institute.

Chinese engineers are already in Norway training to put in Skarpenord cargomaster systems.

Three other companies--A.S. Hydraulic Brattvaag, Harding A.S. and Frydenbo A.S.--have signed cooperation agreements with Chinese yards.

Brattvaag produces winches, windlasses and hydraulic machinery, Frydenbo makes steering gear and Harding manufactures life boats and safety equipment.

Mr Hammer hopes the six joint ventures will turn out to only be the tip of the iceberg.

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CSO: 4020/116

NEI MONGGOL SEEKING FOREIGN INVESTMENT

OW291751 Beijing XINHUA in English 1603 GMT 29 Nov 85

[Text] Hohhot, November 29 (XINHUA)--Inner Mongolia is to give preferential treatment to foreign investors on taxes and workers' pay, vice-chairman of the autonomous region Bai Junqing said early this week.

Land tax will be 30 to 50 percent less than in coastal cities, and will even be exempted for technological development enterprises. And investors can expect labor costs to be 10 to 20 percent lower than other provinces.

These measures have been agreed on by regional authorities, and will be officially announced at a conference in Hong Kong early next month.

Other preferential treatment will include 15 to 30 percent income tax reduction for cooperative enterprises in further 10 years after the state granted term expired and income tax exemption for cooperative and foreign-run enterprises with annual profits less than one million yuan.

Bai will head a regional delegation at the Hong Kong conference which is to be held specially to announce 54 economic projects in Inner Mongolia for potential investors to choose from.

These involve farma dn animal produce processsing, building materials, electronics, paper making, machinebuilding, chemicals, metallurgy, power, posts and telecommunications.

Over the past few years, Bai said, the region has signed 26 contracts for joint ventures and cooperative and leasing enterprises with foreign companies, involving a foreign investment of 50 million U.S. dollars.

He said: "Inner Mongolia has abundant resources and a fairly complete industrial base.

"Priority will be given to the technical renovation and expansion of existing factories."

Inner Mongolia has trade relations with 59 countries and regions. It has exported 300 types of products worth 96 million U.S. dollars this year.

Border trade with the Soviet Union has increased by 250 percent this year compared with 1984 to reach 43 million Swiss francs. The region has also begun border trade with Mongolia, and the volume is expected to be worth 630,000 Swiss francs this year.

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CSO: 4020/116

INVESTMENT IN GUANGDONG MAY REACH $1 BILLION

OW2501907 Beijing XINHUA in English 1834 GMT 25 Nov 85

[Text] Guangzhou, November 25 (XINHUA)--Guangdong Province attracted 548 million U.S. dollars of foreign investment in the first 10 months of this year, said a local official.

This was 45 percent more than in the same period last year.

By the end of the year, the province is expected to use a total of one billion dollars, more than any other province, said the official from the provincial foreign economic relations and trade commission.

More than 80 percent of the money is being invested in joint ventures and cooperative enterprises. And the number of joint ventures and enterprises each involving foreign investment of more than one million dollars accounts for 40 percent of the total.

Of these, work has already started on China's largest nuclear power station and a glass factory using advanced float technology.

Also under construction are an offshore oilfield service base, a brewery, a light truck plant, a cement factory, a thermal power station, a refrigerator condenser plant, an integrated circuits factory and the Guangzhou-Shenzhen-Zhuhai motorway.

The official said provincial authorities planned to set up more technology-intensive and export-oriented joint ventures and enterprises in the future.

They would concentrate on schemes involving energy production, transport, posts and telecommunications.

The focus of foreign investment and technology will be in the Pearl River delta, and also in 47 hilly counties, so that the best use could be made of local resources, the official said.

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CSO: 4020/116

SHANXI OFFICIAL INVITES FOREIGN COOPERATION

OW231915 Beijing XINHUA in English 1457 GMT 23 Nov 85

[Text] Taiyuan, November 23 (XINHUA)--Deputy Governor Bai Qingcai of China's Shanxi Province called for more economic and technical cooperation between Shanxi and other countries so as to promote the province's economic development.

Bai, who has just returned from a visit to the U.S. State of Idaho as head of a Shanxi provincial delegation, told XINHUA that the province is going to introduce more funds and advanced techniques and equipment from other countries.

An agreement on establishment of friendship ties between Shanxi and Idaho was signed during the visit.

The delegation also visited Tennessee, and signed a protocoal on developing friendly exchanges and cooperation. The two sides also agreed to conduct cooperation in the fields of economy, trade, science, technology and culture.

Bai said that Shanxi now has contacts and economic cooperation with the U.S., Japan, the Federal Republic of Germany, Britain, Poland and Czechoslovakia.

Thansk to China's new open policy, more and more countries and foreign businessmen have expressed interest in cooperating with the province, he said. "Shanxi welcomes them and will provide favorable conditions for their cooperation," he explained.

Shanxi, the largest coal producer in China, also has rich resources of aluminum, gypsum and marble, as well as having thriving industries like machine processing, textiles, electronics, chemical products and building materials. Bai said that the province has broad prospects for cooperation with other countries.

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CSO: 4020/116

FUJIAN GOVERNOR SPEAKS ON FOREIGN INVESTMENT, COOPERATION

HK031229 Beijing ZHONGGUO XINWEN SHE in Chinese 1407 GMT 27 Nov 85

[Text] Xiamen, 27 Nov (ZHONGGUO XINWEN SHE)--On the afternoon of 26 November, at a conference on promoting investment in Fujian, Governor Hu Ping of Fujian said that in our cooperation with foreign businessmen, we wish them and everybody fortune.

Hu Ping spoke on the three problems concerning investment in Fujian by foreign businessmen. The first of these is the problem concerning the economic interests of investors. He said: In doing business with foreign and Hong Kong businessmen, all the parties involved want to make money. All the programs offered by the conference on promoting investment in Fujian can yield economic results. Programs that cannot yield economic results will not be offered to foreign friends. The second problem is the problem concerning the legal protection for investment. He said: China has formulated a series of regulations on foreign economic relations which are now being perfected. In addition, the central authorities have decided to allow Fujian to give preferential treatment to foreign businessmen and to make some specific arrangements. The third problem is the problem of the markets. Hu Ping is of the opinion that this is one of the most important problems in bilateral cooperation. Fujian hopes that cooperation will enable its products to enter the international market. However, the domestic market is also very important. Fujian has a population of more than 20 million and its consumption power is becoming greater and greater. Since high-technology products are in short supply on the domestic market, we can allow foreign businessmen to take advantage of part of the domestic market on preferential terms.

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CSO: 4006/407

BRIEFS

HEBEI EXPORT FIGURES--Hebei Province exported commodities worth more than U.S.$1 billion during the January-October period this year, a 69 percent increase over the figure of the corresponding 1984 period and topping the previous high. [Text] [Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 6 Nov 85 SK] /6662

TIANJIN EXPORT PLAN FULFILLMENT--At a meeting on foreign economic relations and trade, Li Langing, vice mayor of Tianjin Municipality, revealed that by the end of October, Tianjin had fulfilled 87 percent of the annual export plan. It is expected that the 1985 export plan will be overfulfilled. By the end of October, Tianjin had signed 140 contracts on the establishment of joint ventures, of which some 50 joint ventures had been completed and began operation. In the first 10 months of this year the municipality dispatched some 770 workers and technical personnel to foreign countries. In 184 Tianjin signed some 400 contracts on technological imports, involving a total of some $30 million. Some 102 contracts were fulfilled, with a value of about 320 million yuan. [Summary] [Tianjin TIANJIN RIBAO in Chinese 9 Nov 85 p 1 SK] /6662

BEIJING EXPORT ACHIEVEMENTS--Beijing Municipality has scored marked achievements in exports this year. In October the municipality exported commodities worth U.S.$64.51 million, topping the previous monthly high. As of the end of this October, the municipal export volume was worth more than $140 million, accounting for 83.2 percent of the municipality's annual export plan. [Excerpts] [Beijing BEIJING RIBAO in Chinese 12 Nov 85 p 1 SK] /6662

SWISS MANAGERS VISIT SHANGHAI--Mayor of Shanghai Municipality Liang Zemin met a group of senior managers from the (Brown Bowly) Company Ltd in Switzerland, which is led by its president (Berlinskiy), at Xingguo guesthouse yesterday afternoon. They had a friendly talk on technical and economic cooperation between Shanghai and the Swiss Company. The (Brown Bowly) Company Ltd is a world famous plant specializing in the construction of electric power stations and production of electrical equipment with its headquarters in Baden City. Since the beginning of this year, Shanghai engineering consultancy research center and the Swiss company have conducted discussions in Shanghai concerning construction of nuclear power stations and technological transformation of outmoded power stations in Shanghai, as well as cooperation in production between the company and relevant plants in Shanghai. [Text] [Shanghai JIEFANG RIBAO in Chinese 16 Nov 85 p 3 OW] /6662

GUANGDONG PRODUCTS EXHIBITION IN HONG KONG--Guangzhou, December 4 (XINHUA)--Guangdong Province, South China, is to exhibit its products in Hong Kong January 4 to 11, 1986. The exhibition will cover 3,000 square meters and display more than 4,000 kinds of products, including textiles, silks, electrical items, hardware, food, machinery, and chemical and light industrial products, said an official of the provincial government. The province is to offer 84 programs of technical cooperation in 1986 at the exhibition and will hold a symposium before the opening ceremony, he said. The exhibition will be jointly sponsored by the China Council for the Promotion of International Trade, Guangdong Enterprises Limited and the Hong Kong Trade Development Council. It will be the largest of 25 exhibitions which some inland provinces have held in recent years in Hong Kong. [Text] [Beijing XINHUA in English 1624 GMT 4 Dec 85 OW] /6662

PRC-FOREIGN JOINT VENTURE BANK--Xiamen, November 28 (XINHUA)--China's first joint venture bank with overseas partners, the Xiamen International Bank, opened in this special economic zone in Fujian Province today. With a registered capital of 800 million Hongkong dollars, the bank has been established jointly by the Fujian branch of the Industrial and Commercial Bank of China, the Fujian Investment and Enterprise Corporation, the Xiamen Construction and Development Corporation and Panin Group Corporation of Hongkong. The new bank has two subsidiaries, the Luso International Banking Company in Macao and the Xiamen International Finance Company in Hongkong. It will specialize in deposits, loans, remitting foreign currencies, import and export accounting, financial consulting services, and foreign currency investment. [Text] [Beijing XINHUA in English 1512 GMT 28 Nov 85 OW] /6662

PRC ELECTRONIC PRODUCTS DISPLAY IN CSSR--Prague, November 23 (XINHUA)--Heavy snow here has not stopped more than 120,000 people from coming to the "electronics and automation-85" exhibition, which ended today. China, the Soviet Union, Democratic Germany, the United States, Federal Germany, as well as Czechoslovakia, displayed their electronic products at the ten-day show held in the exhibition center at Fucik Park. According to an official of Czechoslovakia's Electronic Ministry, visitors were surprised to see the Chinese color TV sets, video tape recorders, computers, electronic toys and medical equipment. "We never thought China could produce such superb electronic products," one visitor said. This is China's first time to participate in this biannual exhibition, which began in 1983. [Text] [Beijing XINHUA in English 0243 GMT 25 Nov 85 OW] /6662

SONG PING HONORED IN WARSAW--Warsaw, November 18 (XINHUA)--Polish Deputy Premier Manfred Gorywoda said today that his country attaches great importance to developing economic and trade relations with China. At a dinner given for visiting Chinese State Councillor Song Ping, Gorywoda said that his country's emphasis on trade with China reflects Polish economic strategy. Poland wishes to exchange experiences with China in economic management and reforms of the two countries, he added. Song Ping, who had visited Poland in 1948 as a representative from the then communist-controlled areas of China, said that he has found great changes have taken place in Warsaw. He hoped that China and Pland would further develop their economic and trade relations. Song Ping, who is heading a Chinese governmental delegation, flew here yesterday from Bulgaria where he paid an official visit. [Text] [Beijing XINHUA in English 0258 GMT 19 Nov 85 OW] /6662

ANGOLAN PRESIDENT AT EXPOSITION--Luanda, 8 Nov (XINHUA)--Angolan President Dos Santos today visited China's Shanghai Pavilion at the Second Luanda International Industrial and Trade Exposition, which opened here this morning. The president was accompanied by Chinese Ambassador to Angola Zhao Zhenkui and by Chen Lianqing, head of China's Shanghai Exhibition Group, during the visit. [Summary] [Beijing XINHUA Domestic Service in Chinese 1405 GMT 9 Nov 85 OW] /6662

FUJIAN TRADE GROUP IN TOGO--The Fujian Foreign Trade Corporation has a 3-member trade group permanently stationed in Lome, Togo, to promote trade with West African countries. The group has successfully expanded trade with those countries by adopting over-the-counter, instead of L/C, trading. Its success has won the approval of the Ministry of Foreign Economic Relations and Trade. The group was sent to Togo at the end of 1983. [Summary] [Fuzhou FUJIAN RIBAO in Chinese 9 Nov 85 p 1 OW] /6662

BEIJING TECHNICAL PROGRESS--Over the past 6 years, 473 industrial enterprises throughout Beijing Municipality have imported 1,114 advanced technology items from foreign countries, worth more than U.S. $1.13 billion. These enterprises have plants in the foodstuffs, light industry, textile, electronics, machine-building, motor vehicle, building materials, drugs, chemical industry, metallurgy, and instruments sectors. Influenced by imported foreign technology and equipment, more than 1,000 industrial enterprises in the municipality have achieved technical renovations in varying degrees, resulting in the emergence of a large output of new products. During the 1979-1984 period, the municipality turned out 185 products appraised as fine quality by the national authorities and 1.651 products judged as fine quality by the municipal authorities. [Summary] [Beijing BEIJING RIBAO in Chinese 12 Nov 85 p 1 SK] /8918

BEIJING JOINT VENTURE CONTRACTS--Since the beginning of this year, Beijing Municipality has witnessed a good trend in developing productive joint ventures. By the end of October, 27 contracts were signed on developing productive joint ventures, with a total investment of $72 million, 2.8 times that of the corresponding period last year. [Summary] [Beijing City Service in Mandarin 1100 GMT 17 Nov 85 SK] /6662

FUJIAN FOREIGN CAPITAL FOR EXPORT ITEMS--Fuzhou, 20 Nov (ZHONGGUO XINWEN SHE)--Mountainous areas in northern Fujian have opened the gate to introduce foreign capital for developing export commodities. Jianyang Prefecture in northern Fujian approved 13 contracts with a total foreign investment of $2.16 million from January to September this year. The introduced capital is mainly used for developing bamboo and wooden products, tinned foods, and textile goods for export. Mountainous areas in northern Fujian have adopted various ways, including joint-ventures with Chinese and foreign capital, investment of foreign firms, and compensation trade, to develop bamboo and wooden products, rosin, tea, textiles, and plastics goods for export. The Shaowu City Wooden Chopsticks Plant has imported from Hong Kong, in the form of compensation trade, a production line for processing wooden chopsticks. In the past 4 years, the plant has exported over 200,000 cases of wooden chopsticks for fast food restaurants, earning $2 million. The Nanping Shazikou Hydropower Station and the Shunchang Cement Plant, which has an annual capacity of 620,000 tons of cement, are two major large-scale construction projects in Fujian. Kuwait and Australia have respectively granted loans amounting to $30 million and over 63 million yuan to these projects. Products of the cement plant are for export. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 0125 GMT 20 Nov 85 HK] /6662

CSO: 4006/374

SHENZHEN CONDUCTS EXAMINATION ON FINANCIAL AFFAIRS

HK200149 Beijing ZHONGGUO XINWEN SHE in Chinese 0600 GMT 18 Nov 85

[Text] Guangzhou, 18 Nov (ZHONGGUO XINWEN SHE)--Since it started a general examination on taxation and financial affairs a month ago, Shenzhen has discovered evasion by enterprises of more than 26 million yuan of taxes and energy funds. According to the rules and regulations, the enterprises involved will be fined and an additional charge will be imposed for delayed payment.

Through investigation, the Shenzhen City Industrial Development Service Company has been found to have evaded business tax, corporate income tax, urban maintenance and construction tax, and funds for key construction of energy and transport totalling 15,318,000 yuan. The company is a large enterprise responsible for the exploitation and management of the two industrial districts of Shangpu and Bagualing.

The general examination has also found that some enterprises issued excessive bonuses and allowances in cash or in kind, arbitrarily raising production costs and violating rules to control the purchasing power of groups and issuance of coupons. For example, an unit of over 30 members spent more than 120,000 yuan just in 21 months offering double pay each month and issuing excessive bonuses and allowances in cash or in kind; on average, each member of the unit got 3,000 yuan.

At present, the general examination on taxation and financial affairs in Shenzhen has entered the stage of checking up on work on key units. Tax bureaus will dispatch some special teams to examine taxation of foreign equity enterprises, equity joint ventures, and non-equity joint ventures.

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CSO: 4006/374

XIAMEN ECONOMIC ZONE TO SET UP PRC'S FIRST REGIONAL BANK

HK260421 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 26 Nov 85 p 5

[Report from Paul Sham in Xiamen]

[Text] The Xiamen Special Economic Zone is planning to establish a regional bank to tap the pool of wealth now held by citizens, a senior official said.

The deputy mayor of Xiamen, Mr Mao Disheng, told BUSINESS NEWS he hoped to see the bank in operation by next year. It would be the first of its kind in China since the People's Republic was founded in 1949.

Mr Mao said this method of utilising "idle" money made more sense for Xiamen than the Shenzhen approach of issuing commercial paper, since "different cities have different conditions".

The plan for the regional bank is being studied and an application will be sent to the State Council soon for approval, he said.

In the event the application is rejected, Xiamen will set up a finance company, Mr Mao said.

Banking reform ranks high among Xiamen's efforts to provide a better business environment for foreign investors, he said.

More than 10 foreign banks operating in Xiamen have applied to upgrade their representative offices to branch status.

In addition, "several" foreign banks are discussing with local authorities the possibility of setting up joint-venture banks.

Mr Mao also said the city has spent 600 million yuan (HK$1.4 billion) this year on infrastructure development. These projects include construction of four deepwater berths and installation of 10,000-line telephone switchboards, and extension of the airport runway.

He said an equal amount of infrastructure investment is planned for next year and 1987.

The capital will come from bank loans, foreign investment and the Xiamen government's own resources, as well as local enterprises.

One major task for the government will be to renovate old business enterprises in Xiamen now employing 80,000 people, Mr Mao said.

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CSO: 4020/116

SPECIAL ECONOMIC ZONES

SHENZHEN SUCCEEDS IN INCREASING EXPORTS

HK300844 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 28 Nov 85

[Text] The Shenzhen Special Economic Zone has tried all means to expand its exports of industrial, agricultural, and sideline products. In the first 10 months of this year, its export volume totalled $400 million, an increase of over 100 percent over last year.

Since the beginning of this year, the Shenzhen Special Economic Zone has strived to study and develop new industrial products. Consequently exports of industrial products increased in terms of categories and producers from over 70 to 5 enterprises respectively last year to over 200 and over 300 enterprises this year. The gross export value was HK$1.5 billion, an increase of over 50 percent over last year.

Furthermore, through the practice of importing from the outside and linking with the hinterland, various large commercial and trading companies in the zone formed scores of production bases for fresh, agricultural, and sideline products, as well as scores of enterprises for processing products for export. They expanded the export volume of fresh, agricultural, and sideline products.

In addition to running its chicken farm and fishing ground, the Shenzhen Special Economic Zone Export Trading Company entered joint ventures with units in Baoan County and so on; and raised pigs, fish, shrimp, crabs, and pigeons as well as grew vegetables, flowers, and mushrooms. In the first 4 months of this year, its gross export value exceeded $80 million, an increase of almost 100 percent over the same period last year.

Moreover, the Shenzhen Special Economic Zone exported prawns, oysters, grouper, and other aquatic products.

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CSO: 4006/374

BRIEFS

SHENZHEN OVERFULFILLS REVENUE TARGET--By October, Shenzhen City overfulfilled by 9.71 percent this year's financial revenue target. Since the beginning of this year, through the practice of importing from outside and linking up with the hinterland, Shenzhen City has developed new industrial projects, and assisted joint ventures and sole proprietorial enterprises to develop production. Therefore, its industrial and commercial tax collected was increased by 141 percent. At the same time, the city developed foreign trade and promoted exports. Therefore, the taxes collected through customs services were increased by 132 percent. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 29 Nov 85 HK] /6662

CSO: 4006/374

MORE HANDICAPPED RESIDENTS EMPLOYED

OW261332 Beijing XINHUA in English 1219 GMT 26 Nov 85

[Text] Beijing, 26 Nov (XINHUA)--Over 1,500 handicapped rural Beijing residents have been employed in social welfare factories since July, when the municipal government pledged to find jobs within 2 years for all disabled peasants.

According to the municipal civil affairs bureau, there are about 10,800 handicapped people with the ability to work in rural Beijing. At the end of 1984, only -4 [number as received] percent were employed, while the figure today is 23 percent.

Over 215 enterprises now employ the handicapped, compared with 95 enterprises just 4 months ago, said a bureau official today. Each of 350 rural townships must set up a factory or trade firm that hires the disabled.

Those enterprises that employ 50 percent of their workforce from the handicapped are eligible to receive large tax breaks. However, local officials still find it difficult to place all disabled persons in appropriate jobs.

Handicapped workers are now employed in many positions including doing handicrafts, repair work, sales, and processing industrial products. They are paid comparable wages to non-handicapped employees.

The newly-employed handicapped workers, including blind, deaf-mute, and deformed, are contributing to the family income as well as improving their own status.

In urban Beijing, where there are 14,000 handicapped persons, over 98 percent have been given jobs.

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CSO: 4020/118

JINGJI GUANLI ON WAGE REFORM IN LIGHT INDUSTRY

HK211019 Beijing JINGJI GUANLI in Chinese No 9, 5 Sep 85 pp 64, 65

[Article by Li Suhua [2621 4790 5478]: "Questions on Wage Reform in Light Industrial Enterprises"--edited by Pan Shucheng [3382 6615 3397]]

[Text] In adopting the method of allowing total wages in industries to be linked, and fluctuate in accordance with economic results, the growth of workers wages mainly relies on improvement of the economic results of the enterprises. The enterprises can employ their own discretion to use wage funds in accordance with the principle of remuneration according to labor and within the stipulated extent of growth of total wages. The labor reward of industrial worekrs in enterprises depends on their contribution to society. Those who contribute more will gain more and those who contribute less will gain less. We can assume that the implementation of this system of distribution is very important to: Motivating the initiative of enterprises and workers; improving the vitality of enterprises; developing the social productive force; overcoming the flaw of egalitarianism in distribution; and implementing the principle of remuneration according to labor. As time goes by, this will play a more and more powerful rule.

The premise for adopting the above method is that taxation submitted to the state by enterprises must grow steadily. Hence, it is necessary to handle two questions well in actual practice. First, how to handle advanced areas and advanced enterprises. Second, how to treat the proportion of growth of economic results and the actual contribution. It is not rational to assess contributions by looking at the extent of growth in taxation submitted to the state. This is because, first of all, the rapid development of the various departments in the national economy is a result of the characteristics of our country's planned economy, and this has been affirmed by the state comprehensive balance. As far as light industry is concerned, since 1979, and in accordance with the principle of readjusting the national economy, the state has accorded first priority to development of the production of consumer products, allowing the enterprises to enjoy six preferences. Thus, development of light industry has been relatively fast. In the 5 years between 1979 and 1984, the average growth of light industrial output each year was over 10 percent and achieved taxation also grew by over 6 percent. Growth was even more rapid in the coastal areas and areas where keypoint development

was carried out. Owing to rapid development in the past few years, the base was expanded and the old plants were unable to keep up with the pace of taping potential and technical renovation. Thus, more difficulties in tapping potential and a relaxed growth rate have become visible. In addition, reduced profits were brought about by readjusted prices of raw materials and energy as well as a reduction in the prices of a certain portion of light industrial products. Loan repayments and other factors have to be borne by the enterprises themselves, bringing greater difficulties to the production and management of the enterprises. In some enterprises unable to tackle the difficulties, the phenomenon of "indigestion" has appeared which is characterized by slow production growth, lower economic results and reduced taxation submitted to the state. These enterprises have lost the essential conditions needed to allow total wages to fluctuate with the economic results and to carry out reform in the wage system. This is a new problem which confronts wage reform in light industrial enterprises. According to incomplete statistics recently gathered 10 large, medium and small cities, only 13.77 percent of the large and medium scale light industrial enterprises actually possess the basic conditions needed to adopt the method of allowing total wages to fluctuate with the economic results and to carry out wage reform. In light of this, taking the year's amount of taxation submitted to the state as the sole criterion in large and medium scale enterprises in the course of implementing the method of allowing the total wages to fluctuate in accordance with the economic results, without giving consideration to enterprises' contribution to the state during the past years, is only a method of "whipping a fast cow." This will not play an active role in developing production.

In view of the actual situation of light industry and in order to: improve the vitality and self-reforming capacity of large and medium scale enterprises; exercise macroeconomic control over distribution and allow microeconomic flexibility; give play to the lever role of wages in speeding up production, we must also give consideration to the following questions:

(1) The decision on the floating proportions must comply with the spirit of inspiring the advanced, and prevent the phenomenon of "whipping a fast cow." In assessing the enterprises economic results and ascertaining the proportion of total wages which fluctuate with the economic results, we must first allow a higher floating proportion for enterprises in which: Development was fast and contributions were great over the past few years; the base was expanded; the potential was limited; and which now face difficulties in increasing production. Second, the floating proportion of enterprises in which the per capita taxation yield rate, wage income tax and labor productivity are higher than the average of other local industrial enterprises should be accordingly higher. Third, it is necessary to give consideration to enterprises in which profit growth is affected by limited production and marketing of products produced under state mandatory plans.

(2) Index linking must be set up by proceeding from reality. It should differ in various enterprises and should not be rigidly set. Under the principle of giving consideration to the interests of the state, enterprises and individuals, it is necessary to choose an index linking which can reflect economic and social results. Since there are many varieties of light industry,

we must not promote a standard mode. All enterprises whose production and business operations are normal and stable, and which have great potential, can adopt the method of linking total wages with the enterprises' submitted taxation. Renewal of products, or products produced in accordance with market demands, can be linked with market demands of the final products. Unitary products and marketable products can be linked with production of the final products. As far as enterprises which have a large base and limited potential are concerned, the index of wage per 100 yuan of taxation submitted to the state can be adopted.

(3) For enterprises which run into deficits because of readjusted prices of raw materials and energy products stipulated by the state, it is necessary to take this objective factor into consideration in assessing the taxation, so that enterprises will not increase production without gaining more and so that workers will not work harder without earning more.

(4) Enterprises' loan repayments should be made in accordance with a certain ratio and be regarded as taxation. This is because when enterprises use loans to renovate equipment, open up new products and expand reproduction, the workers are striving hard to create economic results and thus, these should be regarded as contributions to the state. It is reasonable to allow the workers to gain some advantages from this.

(5) It is necessary to settle wage relations and prevent the new situation of unequal hardship and fortune. Since the standard wage of production workers of a certain portion of light industrial enterprises is low, the wage relations between the enterprises and the industries are irrational. Prior to implementing the method of allowing the total wages to fluctuate with the economic results, the enterprises should settle the wage relations of the various industries in order that enterprises of the various industries can develop on a rational level.

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CSO: 4006/375

BRIEFS

5-YEAR PLAN PROPOSAL--Beijing, 30 Nov (XINHUA)--To assist cadres and the broad masses in studying and understanding in depth the spirit of the "Proposal of the Central Committee of the CPC for the Seventh 5-Year Plan for National Economic and Social Development," a book entitled "Supplemental Material for Studying the Proposal for the Seventh 5-Year Plan," written by comrades concerned of the Research Center of the CPC Central Committee Secretariat, the Investigation and Research Office of the CPC Central Committee Secretariat, the Investigation and Research Office of the State Council, and the State Commission for Restructuring the Economic System, has recently been published and put on sale by the XINHUA Publishing House. Written in the form of a series of lectures, the book explains thoroughly guiding principles, objectives, development speed, approaches in reform, policy measures, and other matters put forward in the proposal for the "Seventh 5-Year Plan." The book consists of 37 chapters. [Text] [Beijing XINHUA Domestic Service in Chinese 1203 GMT 30 Nov 85 OW] /9738

CSO: 4006/396

YU KUO-HUA URGES STRENGTHENED PACIFIC TRADE

OW041059 Taipei CNA in English 1032 GMT 4 Nov 85

[Text] Taipei, 4 Nov (CNA)--Premier Yu Kuo-hua said Monday that as a result of rapid economic growth, the Pacific Basin has emerged as a dynamic force on the world stage. Increased cooperation among Pacific Basin countries in economy, technology, trade and investment will help usher in a new Pacific era in the near future, Premier Yu said.

Yu made the remarks at the opening ceremony of the 1985 PBEC [Pacific Basin Economic Council] International Management seminar at the Grand Hotel in downtown Taipei.

The premier said that the tremendous progress and growing prosperity in the region has presented exciting opportunities for fruitful cooperation in trade, investment, and economic and technological development in the common interest of all members of the world community.

Yu reported that the famed EUROMONY magazine once conducted a survey of economic performance of 93 countries between 1974 and 1984. Eight out of the top 10 on the list of 93 countries were of the Southeast and East Asian regions, including the Republic of China, Singapore, Japan, South Korea and Hong Kong, he said.

In addition, the Premier said, the 13 Pacific rim countries and areas, namely, the United States, Canada, Australia, New Zealand, Japan, Hong Kong, South Korea, the Republic of China and the five ASEAN countries, commanded 34 percent of total world trade in 1983.

Yu pointed out that the Pacific Basin countries have a shared interest in a healthy environment for growth and development. He urged them to strengthen exchange of raw materials and manufactured products and interflow of technology and management expertise, which he said could lead to an increase in per capita income and improvement of living standard in each country.

The seminar is the first of its kind ever held here since this country became a full member of the Pacific Basin Economic Council. More than 60 delegates from the 13 member countries are attending the 5-day meeting.

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CSO: 4020/119

EXPORT PROMOTION STRATEGIES ANNOUNCED

OW041227 Taipei CNA in English 1052 GMT 4 Dec 85

[Text] Taipei, Dec. 4 (CNA)--The Board of Foreign Trade (BOFT) and the China External Trade Development Council (CETDC) have announced that next year's export development theme will be "to expand Taiwan's export outlets by appropriating specific marketing strategies to regional markets." The United States, Japan, Scandinavia, Central and South America, Southwest Asia, and Africa are the six regions designated for promotional work.

The 1986 promotional theme is intended to address the nation's slack exports and help diversify export outlets. Specific (?market) strategies will be determined according to each market's unique characteristics. Major promotional strategies for 1986 have been listed as follows:

--To strengthen cooperation with the U.S. and help outstanding manufacturers establish their own brands.

--To invite prominent Japanese chain stores to join with Taiwan firms in co-sponsoring local product shows in order to pave the way for a smooth entry into Japan's market.

--To dispatch trade commissions to Scandinavian countries, including Denmark, Switzerland, Finland, and Norway, and to collect Scandinavian market information.

--To sponsor product shows, conduct trade talks, and establish person-to-person and business-to-business contacts in Central and South America, Southwest Asia, and Africa. Trade commissions composed of prominent exports and manufacturers will follow these pioneering efforts.

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CSO: 4020/125

CENTRAL BANK TO LOWER INTEREST RATES 23 NOV

OW230433 Taipei CNA in English 0235 GMT 23 Nov 85

[Text] Taipei, 22 Nov (CNA)--The Central Bank of China will lower further various interest rates by 0.5-0.25 percent, effective Saturday, 23 November, at the suggestion of the Bankers Association.

Meanwhile, the Legislative Yuan resolved to abolish the statutes governing banking interest rates in a plenary session Friday to pave the way for liberalizing interest rates. The statutes were put into effect 19 December 1947.

The maximum interest rates for loand will be cut by 0.25 percent and the minimum rates will be lowered by 0.5 percent. Thereafter, the annual rates for short-term loans will be between 9.50 percent and 6.25 percent, and those for the medium- and long-term loans will be set between 10.25 percent and 6.75 percent.

The rates for various time and saving deposits will be lowered by 0.5 percent, and those for demand deposits will go down by 0.25 percent.

The adjustment will set the new rate for 3-year term deposits at 6.75 percent, 2-year terms at 6.50 percent, and 1-year terms, 6.25 percent. The rate for demand deposits will be lowered to 3.75 percent.

The Bankers Association met Friday to review the domestic financial situation and suggested the lowering of interest rates because of the long-term sufficient capital in banking institutions and stable market prices. In addition, interest rates on the monetary market are declining too, bankers said.

The Central Bank of China last adjusted domestic interest rates downward in September.

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CSO: 4020/119

ECONOMIC INDICATORS SHOW ECONOMY BOTTOMING OUT

OW260527 Taipei CNA in English 0307 GMT 26 Nov 85

[Text] Taipei, 25 Nov (CNA)--Various domestic economic indicators demonstrated in October show that the Republic of China's [ROC] economy is bottoming out and will continue to grow moderately next year, the Ministry of Economic Affairs said Monday.

An analysis of the ministry on the domestic economic situation made the forecasting based on the following factors:

--The International Monetary Fund said in its October report on the world economic prospects that the world's economic growth will climb from this year's 3.1 percent to 3.4 percent next year, with those of leading industrial countries expanding between 2.8 percent and 3.1 percent on average, and those of developing countries, between 3.5 percent and 4.2 percent on average.

The nation's economy will take a turn for the better by taking advantage of some favorable economic factors in the world:

--The continuous devaluation of the American currency on the world market will benefit the ROC exports;

--The ROC Government's timely adjustments of three rates (business income tax, bank interest and the new Taiwan dollar's exchange against the U.S. dollar) will encourage private investments and stimulate economic growth in this country; and

--The government will vigorously undertake the 14 key construction projects beginning next year.

The analysis said, quoting the statistics released by the Directorate General of Budget, Accounting and Statistics last week, this nation's economic growth this year is expected to reach 5 percent, with 6.11 percent in the first quarter, 4.33 percent and 4.14 percent in the second and third quarters respectively and 5.06 percent expected in the fourth quarter.

The improvement in the last quarter indicates that the ROC economy is climbing up from the bottom, thanks to the better-than-expected economic performance of the United States in the third quarter of the year, the analysis said. The U.S. economy grew 4.3 percent, higher than the original goal of 3.3 percent, during the July-September period this year.

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OFFICIALS ESTIMATE $10 BILLION TRADE SURPLUS

OW020329 Taipei CNA in English 0308 GMT 2 Nov 85

[Text] Taipei, 1 Dec (CNA)--Trade officials estimated Saturday that the Republic of China is expected to enjoy a U.S.$10 billion trade surplus in 1985, the highest recorded in this nation's trade history, due to the higher negative growth of imports than that of exports.

They noted that both the ROC's imports and exports so far this year have been decreased because of economic stagnancy at home and abroad. But since the negative growth on the part of imports had been higher than that of exports, trade surplus for this nation had been increased from U.S.$2.12 billion in the first quarter to U.S.$2.73 billion and U.S.$2.94 billion in the second and third quarters, respectively.

As of the end of October, the officials said this country had an aggregate trade surplus of U.S.$8.79 billion. They estimated that the figure is expected to exceed U.S.$10 billion by the end of this year.

They said the ever increasing trade surplus has expanded the foreign exchange assets holding by ROC banking institutions and is helpful to upgrading this nation's credit in the international community. It has also posed some noteworthy problems such as heightening trade frictions with such trade partners as the United States, increasing the growth of money supply and thus further dampening demands in the domestic market, and giving added pressure on the new Taiwan dollar pushing for the further revaluation of its exchange rate against the U.S. dollar.

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BRIEFS

INDUSTRIAL PRODUCTION INDEX UP--Taipei, 24 Nov (CNA)--The Republic of China's general industrial production index reached 134.75 in October, the best performance so far in this year, indicating an upswing in domestic economy, the Directorate General of Budget, Accounting and Statistics [DGBAS] said recently. The index was an increase of 3.95 percent compared with that in September, and also an increase of 4.75 from the same month of last year, showing that the domestic economy in the fourth quarter of this year is recovering from its ebb, a DGBAS spokesman said. The industrial production indexes in October read as follows: --the manufacturing industry scored 138.80, an increase of 4.23 percent over September, the highest growth rate so far in this year; --the electricity, water and gas supply industries scored 137.17, up 1.01 percent from the month of September; --the housing construction industry scored 69.29, an increase of 12.92 percent over September; and --the mining industry scored 79.61, an increase of 7.52 from September. [Text] [Taipei CNA in English 0303 GMT 25 Nov 85] /9604

COMPANIES MUST CUT EXPENSES--Taipei, 24 Nov (CNA)--All state-owned enterprises should reduce expenditures, otherwise most of them would reduce the workforce or even shut down operations, Wang Yu-yuah, vice chairman of the Commission of National Corporations, said Sunday. He warned that only three among the current 12 state-run companies under the Ministry of Economic Affairs will continue operating 5 years from now if they cannot positively decrease their personnel expenditures. The three companies are the Chinese Petroleum Corp., the Taiwan Power Corp., and the China Steel Corp., he pointed out. The remaining nine have difficulties in business operations. They are the BES Engineering Corp., the China Petrochemical Development Corp., the China Shipbuilding Corp., the Taiwan Aluminium Corp., the Taiwan Fertilizer Co., Ltd, the Taiwan Metal Mining Corp., the Taiwan Machinery Manufacturing Corp., the Taiwan Salt Works and the Taiwan Sugar Corp. It is a painful thing to lay off workers, he said, but the step is helpful to the companies. The sooner they take the step the better, he said. He also suggested ordering reductions of workers' salaries instead of layoffs to help both the companies and workers. [Text] [Taipei CNA in English 0247 GMT 25 Nov 85] /9604

FISHING UNDER AUSTRALIAN ACCORD--Kaohsiung, 24 Nov (CNA)--The Republic of China's fishing boats joining in a fishery cooperation program with an Australian company have left their base in Kaohsiung for waters off the Australian coasts to begin their operations, a fishery official in this southern port city said recently. The Kaohsiung City Fishermen's Association signed an accord with an Australian fishery company 7 years ago, under which 60 trawlers affiliated with the association are allowed to operate in waters east of 116 degrees east longitude. The maximum annual catch for these trawlers this year has been set at 27,500 metric tons, the official said. Meanwhile, the accord also permits 15 other fishing boats to operate in an area north of 18 degrees south latitude with a maximum capture of 2,700 metric tons per year. The Sino-Australian fishery cooperation agreement has been widely recognized as a model for other similar agreements, the official said. [Text] [Taipei CNA in English 0259 GMT 25 Nov 85] /9604

IMPORT TARIFFS--Taipei, 26 Nov (CNA)--The Finance Ministry held a meeting Tuesday to discuss tariff cuts on some 920 categories of imported products, starting in 1986. During the 2-hour discussion, participants at the meeting decided to lower the maximum import tariff rate from the current 75 percent to 70 percent. They also agreed to include the tariff cuts on some auto parts, basic materials and the nation's products which are highly competitive in the world into this year's revision of import tariff rates. According to the revision, tariffs on imported footwear will be reduced from the current 30 percent to 20 percent, and those on imported cigarettes and wine will also be cut by 10 percent. A finance official said he estimated that the government would suffer a loss of NT$1.5 billion (U.S.$37.5 million) in tax revenues in 1986 because of the tariff cuts on some 920 product categories. He said that the revision of the import tariff rates will soon be sent to the Executive Yuan for screening and approval. [Text] [Taipei CNA in English 0305 GMT 27 Nov 85] /9604

CSO: 4020/119

PRC BANK OFFICIAL DISCUSSES ROLE OF BANK OF CHINA IN HONG KONG

HK181334 Beijing ZHONGGUO XINWEN SHE in Chinese 1356 GMT 16 Nov 85

[Article by Zhou Xiao [0719 2556]: "An interview with Huang Diyan, director of the Hong Kong and Macao Management Office of the Bank of China"]

[Text] Beijing, 16 Nov (ZHONGGUO XINWEN SHE)--It has been said that there will be a personnel reshuffle in the Bank of China group in Hong Kong and Macao in the near future. Regarding the issue, the reporter had an interview with Mr Huang Diyan, newly appointed director of the Hong Kong and Macao Management Office of the Bank of China. Mr Huang is now in Beijing attending a meeting of general managers of overseas branches of the Bank of China.

Mr Huang said that the Bank of China group now has more than 8,000 staff members with an average age of 30 or so. However, the problem of aging is rather serious at the leading levels. Therefore, a number of general managers and assistant managers will retire before the end of this year. At the same time, a number of new leading cadres will be appointed according to the principle "younger in average age, better educated, and professionally competent."

Mr Huang Diyan was recently appointed director of the Hong Kong and Macao Management Office of the Bank of China. Prior to the appointment, he served in the Overseas Department of the Bank of China for 30 years. He was appointed deputy director of the Hong Kong and Macao Management Office of the Bank of China 2 years ago. As a result, he is quite familiar with banking business.

The reporter asked Mr Huang whether or not the Bank of China group played the role of promoting the stability and prosperity of Hong Kong's economy?

Mr Huang said that the Bank of China group has now become a vital force for the stability and prosperity of Hong Kong's economy. Apart from China's impact on Hong Kong which is a basic factor, the gradual expansion of the Bank of China group in recent years has been indispensable to Hong Kong's prosperity and stability. Over the past 6 years, the capital of the Bank of China group increased by 1000 percent, the volume of its business increased by over 1000 percent, savings increased by over 400 percent, loans increased by more than 600 percent and its branches and staff members increased by around 100 percent. In view of its expansion, the Bank of China group has lent to a wide range to

support the development of local industrial and commercial enterprises. The Bank of China group also expanded to granting industrial loans so as to enhance the competitiveness of industrial enterprises. During the fluctuations in the financial and foreign exchange market, the Bank of China group cooperated with the Hong Kong market through foreign exchange transactions and other financial activities. Regarding the banks run by Overseas Chinese which asked for help, the Bank of China group offered support and help in various ways. When some industrial and commercial enterprises encountered difficulties, the Bank of China group rendered support by all means within its ability. In a word, the Bank of China group has played an increasing important role in maintaining the stability and prosperity of Hong Kong's economy.

Mr Huang said that the Bank of China group has now become a vital force for the stability and prosperity of Hong Kong's economy. Apart from China's impact on Hong Kong which is a basic factor, the gradual expansion of the Bank of China group in recent years has been indispensable to Hong Kong's prosperity and stability. Over the past 6 years, the capital of the Bank of China group increased by 1000 percent, the volume of its business increased by over 1000 percent, savings increased by over 400 percent, loans increased by more than 600 percent and its branches and staff members increased by around 100 percent. In view of its expansion, the Bank of China group has lent to a wide range to support the development of local industrial and commercial enterprises. The Bank of China group also expanded to granting industrial loans so as to enhance the competitiveness of industrial enterprises. During the fluctuations in the financial and foreign exchange market, the Bank of China group cooperated with the Hong Kong British authorities to maintain the stability of the Hong Kong market through foreign exchange transactions and other financial activities. Regarding the banks run by Overseas Chinese which asked for help, the Bank of China group offered support and help in various ways. When some industrial and commercial enterprises encountered difficulties, the Bank of China group rendered support by all means within its ability. In a word, the Bank of China group has played an increasing important role in maintaining the stability and prosperity of Hong Kong's economy.

Concerning the impact of the Bank of China group on the interior, Mr Huang Diyan said that the Bank of China group raises funds for construction on the mainland and also provides information and consultative service. The Bank of China group will give full play to its role of linking economic trade between the mainland and Hong Kong. In order to support trade between Hong Kong and the mainland, the construction in the mainland, and the businesses of mainland organs stationed in Hong Kong, the Bank of China group has appropriated more than HK$9 billion since the beginning of this year. In my opinion, the economic ties between Hong Kong and the mainland are extremely important for the stability and prosperity of Hong Kong's economy. Apart from continuously expanding its businesses in Hong Kong and the mainland, the Bank of China group will further develop its businesses abroad. With backing from the mainland, the Hong Kong and Macao Bank of China group should have a foothold in Hong Kong and develop its businesses abroad.

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CSO: 4006/377

DEVELOPMENT OF NEW EXPORT MARKETS ADVISED

OW051910 Beijing XINHUA in English 1655 GMT 5 Nov 85

[Text] Hongkong, November 5 (XINHUA)--Hongkong manufacturers should extend their markets to Japan and the Chinese mainland in view of the sluggish economy in the United States, said the executive director of the Hongkong Trade Development Council (TDC), Jack So, here today.

Addressing a rotary club meeting, So pointed out that Japanese consumers have gradually accepted Hongkong products. Hongkong clocks and watches, jewelry, fur and garments are welcomed in Japan, he said.

The Chinese mainland is also a large potential market for Hongkong's export despite the recent Chinese policy of tightening up the foreign exchange spending, So said, adding that there is a 124 percent increase of Hongkong's export to the Chinese mainland this year.

So noted that besides experiencing the first drop in nine years of domestic exports, Hongkong is facing a menance of slack demand of overseas markets as well as an overshadowing of increasing protectionism in Hongkong's major markets.

In the first nine months this year, domestic exports record a drop of 6.8 percent with a total volume of trade of 95 billion HK dollars (12.1 billion U.S. dollars).

However, the situation may be improved by a resurgent economy in Europe, So added. The Federal Germany's growth rate this year is estimated at 8 percent in real terms, the U.K. 7 percent, and France, Italy, the Netherlands each at 5 percent.

Devaluation of the Hongkong dollar due to its peg to the U.S. dollar will also raise the competitiveness of Hongkong products in the European market, So explained.

CSO: 4020/117

DAILY'S EDITORIAL ON JENKINS BILL

HK190535 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 19 Nov 85 p 2

[Editorial: "Beyond Jenkins, Time To Attack"]

[Text] Whatever Hong Kong's free traders have learned from their experiences in fighting the Thurmond Jenkins Bill, they are in danger of leaving Hong Kong's flank exposed while they concentrate on the U.S. threat.

While attention, naturally enough, remains focused firmly on Washington as the textile industry anxiously awaits the presidential verdict on this particular bill, Hong Kong is neglecting threats emerging in its small, but collectively important, non-U.S. markets.

True, the U.S. market takes a staggering 40 percent of Hong Kong's exports, but the remaining 60 percent has to be safeguarded too.

Hong Kong has discovered, one hopes, that it cannot rely on simply responding to a particular threat after it arises.

The time has come to revise its defences and also learn to attack.

If nothing else, the Jenkins, Thurmond Bill has spawned one positive by-product--it forced the government to get off its backside and mobilise its defences.

Industry, unhappily, was less-than-active in its support for government actions. Entrepreneurs preferred to carp about government efforts rather than become involved--financially or in terms of time given.

But despite all the effort--and a a sterling one it has been, albeit a late one--Hong Kong is still on the defensive.

The future of Hong Kong's access to its major market rests on the whim of President Reagan and the political realities on the day when the bill comes up for his signature--or veto.

It would be a brave man who dares shout the odds on the chances of a presidential veto.

Too much depends on the cross-cutting ties of loyalty, reciprocity and obligations that underpin in U.S. political system for anyone to be sure of which way the President will jump.

Restrictive measures have already crept past the President, despite all his rhetoric, and as the pressure mounts, the protectionist juggernaut becomes increasingly harder to stop.

But protectionism is not just an American phenomenon. Indeed, protectionist sentiment is sprouting all over the globe.

The EEC, after all, is a cartel designed to protect the interests of member countries.

Many nations in Southeast Asia are erecting trade barriers. And protectionism, of course, is nothing new in Japan and Australasia.

Hong Kong's strategists cannot ignore this sentiment any longer. Lobbyists have been hired in Washington, but the mechanisms are different in Brussels, Tokyo and Canberra and in Hong Kong's smaller, but no less vital, markets.

The anti-protectionist momentum has been established in Hong Kong, spurred by immediate dangers.

But some way must be made to keep the adrenalin flowing to ensure Hong Kong a realistic means of foreseeing, planning and lighting protectionism wherever it occurs.

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CSO: 4020/117

IMPACT OF PRC IMPORT CURBS ON HONG KONG CITED

HK230650 Hong Kong AFP in English 0358 GMT 23 Nov 85

[Article by Claudia Mo]

[Text] Hong Kong, Nov 23 (AFP)--Hundreds of millions of U.S. dollars' worth of goods are lying idle in warehouses here as Hong Kong is hard hit by import curbs in China, its number two trading partner, local businessmen say.

Car dealer Yuen Kam-ming said his business had been left high and dry by China's continuous curb on vehicle imports.

It was estimated that China-bound vehicles worth at least 350 million Hong Kong dollars (45 million U.S.) were currently stockpiled in Hong Kong.

While Mr Yuen put the backlog figure at about 5,500 vehicles, some of his colleagues put it as high as 10,000.

"Ninety-nine per cent of these vehicles are of Japanese-make, such as Toyota and Isuzu," said Mr Yuen, owner of car agent China and Canton Co. Ltd. "and ninety-nine per cent of them are trucks and lorries which were shipped here at an average export price of 50,000 Hong Kong dollars (6,410 U.S.) each.

"We usually add a 10 percent on top for profit," he said.

The Chinese car cut was part of Beijing's measures introduced in March to cure a haemorrhage in the country's foreign exchange reserves--which plummeted to 11.5 billion U.S. dollars in March from 16.5 billion U.S. recorded in mid-1984. Many analysts believed the figure now stood below 10 billion.

Wang Deyan, a vice-president of the Bank of China, told an international monetary conference here in June that China had to restrict the import of consumer "luxuries", named as cars, TV sets and refrigerators.

Local businessmen interviewed by AGENCE FRANCE-PRESSE said heaps of China-bound goods valued at hundreds of millions of U.S. dollars were now sitting idly in local warehouses.

A rough guess would make up a list including 300,000 colour TV sets, 100,000 video recorders and 18,000 office copiers, they said.

Hong Kong seemed to be hardest hit by Beijing's tightening of its purse strings as the country was the British colony's second largest trading partner after the United States.

According to Mr Yuen, the car pinch has worsened since July after a massive import scandal broke out on Hainan Island off southern China. Official Chinese reports said some 90,000 cars and other items had been imported illegally by Hainan bureaucrats and then resold throughout China at substantial profits in the 15 months ending last March.

The Hainan intake was estimated to account for more than two-thirds of the total number of vehicles China had imported during the period.

"At the peak of the business, more than 120 cars a day entered China from Hong Kong via the border link of Man Kam road. Today the number is down to less than 30, and could fall still further," Mr Yuen said.

An executive with a giant car dealer here also reported that the firm's monthly China sales have drifted to 50 from 1,000 earlier this year.

"The bigger fish in the trade are having a hard time but I know many small fry are actually going bust," the official said.

"We shall think of ways to get rid of the stock at cut-throat prices," he added.

Dealers said a large majority of the stock originally had Guangdong Province, the four coastal special economic zones (SEZ's) and Hainan Island as their destination.

Analysts here believed this region, which enjoyed special privileges in foreign trade, played a big part in the country's spending spree recorded in the second half of last year.

"I had to get rid of my stock of electronic calculators--which until not long ago was a great hit with the Chinese--at the miserable price of a dozen dollars each in the [alleys] of Hong Kong," a local electronic dealer told AFP.

"The mainland scene is so unpredictable. I had already placed extra orders with factories in Taiwan and South Korea," he said. "I just didn't expect the China market to dry up so suddenly and so fast."

Meanwhile sales of personal computers across the border have also gone down dramatically in recent months, said Paul Hobkinson, director of local import-export agent Gilman and Co., which is the agent for Apple computers.

"I can't quantify the problem...but it should be just as bad, if nor worse, as that in the office copier sector," Mr Hobkinson said.

He said around 18,000 copiers estimated to be worth 200 million Hong Kong dollars (25.6 million U.S.) were heaping up in storerooms.

Some local economists, including those with the Hang Seng Bank, however, remained optimistic over prospects for Hong Kong's China-bound exports and re-exports.

Although China's economic readjustment process was likely to last well into next year, there was "little ground for long-term pessimism," said a recent issue of the bank's monthly report on Hong Kong economy.

Once China's current efforts to consolidate its economy have come through, "the country would pursue its modernisation plan with added vigour," it said.

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CSO: 4020/117

BRIEFS

BANK SHOWS CONFIDENCE IN FUTURE--Hong Kong, November 12 (XINHUA)--The Hong Kong-based Standard Chartered Bank demonstrates full confidence in the future of Hong Kong through large investment in high technology and human resources, the Chinese daily TA KUNG PAO reported here today. Since the signing of the Sino-British joint declaration on the future of Hong Kong, both the bank and its customers have shown considerable confidence in the territory's development, area general manager of the bank, William C.L. Brown, was quoted as saying. Standard Chartered, one of the two banknote-issuing banks in Hong Kong, has spent 200 million HK dollars (25.6 million U.S. dollars) on the computerization and automation facilities this year. More investment is to be made in the coming few years not only in Hong Kong, but also in the whole of Asia since it is considered a fast growing region with very high economic potentiality, Brown said. Human resources receives equal attention, he noted, adding that the bank has planned to expand the employee pool. [Text] [Beijing XINHUA in English 1158 GMT 12 Nov 85 OW] /6662

PRC INTERNATIONAL DEPOSIT PLAN PARTICIPATION--A certificate of deposit issue of $100 million by Ka Wah International Merchant Finance Ltd (KWIMF), with China banks participating in the loan consortium, was announced yesterday. Part of the Ka Wah Bank Group, KWIMF will use the funds to increase its consumer loan and home ownership business, according to a statement from Ka Wah. Ka Wah said it was "of great significance" that Sin Hua Trust and Savings Bank and Nanyang Commercial Bank were in the loan consortium. It was believed to be the first time the China banks had associated themselves with international banks in the issue of CDS to a local financial institution, Ka Wah said. It saw that as indicating a more active role for China banks in the monetary market and "in promoting Hong Kong as a world financial centre". East Asia Warburg is the lead manager to the three-year floating rate loan. Aside from East Asia and the China banks, participants include the Amsterdam-Rotterdam Bank, Banco Fonsecas and Purnay, the Canadian Imperial Bank of Commerce, and Grindlays Asia. Ka Wah Bank is guaranteeing the loan. [Text] [Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 14 Nov 85 p 1 HK] /6662

SHARP FALL ON STOCK MARKET--Hong Kong, Nov 22 (AFP)--The stock market here today nosedived nearly 50 points, following a thinly-veiled warning from China that it would not tolerate sweeping political changes in the British colony before it revents to Chinese rule in 1997. The Hang Seng Index

plummeted 49.69 points to close the day at 1,712.82. This was the market's worst one-day fall since last June 7 when it dropped more than 86 points following the collapse of the Overseas Trust Bank. Brokers said the marekt suffered a flurry of selling, triggered largely by a statement issued here yesterday by Xu Jiatun, the local head of the NEW CHINA NEWS AGENCY (NCNA). [Excerpt] [Hong Kong AFP in English 0938 GMT 22 Nov 85 HK] /6662

PRC NO 1 FOOD SUPPLIER--Hong Kong, November 21 (XINHUA)--The Chinese mainland is Hong Kong's largest food supplier, providing about 45 percent of the total value of food imports last year. As Hong Kong has very little land suitable for farming, all food needed by its 5,500,000 inhabitants must be imported, said executive director of the territory's Trade Development Council Jack So. He was speaking at "Foodfest 85", the third annual international food and beverage festival, which opened here yesterday. Attending the festival are exhibitors from 14 countries, including national displays from Australia, Brazil, Chile, China, Hungary, the Philippines and the United States. Last year, Hong Kong imported more than 21 billion H.K. dollars (2.7 billion U.S. dollars) worth of food and beverages, a seven percent increase over 1983. So urged the international food and beverage industry to join in the fight for free trade by lobbying their governments not to impose protectionist barriers against Hong Kong goods. [sentence as received] Such barriers would "surely jeopardize the ability of this very significant market to buy their products," he added. [Text] [Beijing XINHUA in English 1444 GMT 21 Nov 85 OW] /6662

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